KBC ancora

ANNUAL REPORT 2016/2017

KBC ANCORA BACKGROUND

1998

KBC Ancora SCA (Société en commandité par actions) was incorporated on 18 December 1998 as Cera Ancora SA (Société anonyme). Cera Ancora's capital was formed by the contribution of 35,950,000 Almanij shares and approximately EUR 12.4 million in cash, subscribed virtually entirely by Cera (then 'Cera Holding') SCRL (Société coopérative à responsabilité limitée). Cera Ancora was thus an almost wholly owned subsidiary of Cera.

2001

The foundations were laid in 2000 for the fundamental restructuring of Cera Ancora and of Cera, with approval being granted on 12 and 13 January 2001, respectively. The restructuring was carried out in implementation of a settlement reached in conclusion of a legal dispute which went back to the merger in 1998 of CERA Bank, ABB and Kredietbank.

On the one hand, the restructuring of Cera Ancora led to the conversion of Cera Ancora NV to Almancora SCA, the splitting of the Almancora shares, so that the capital of the company was represented by 55,929,510 shares, and an increase (through contributions and purchase) of the participating interest in Almanij to 55,929,510 shares (28.56%). On the other hand, the restructuring of Cera gave Cera members the right to three Almancora shares for each cooperative D-share surrendered on withdrawal.

Almancora was listed on the stock exchange for the first time on 4 April 2001. From that date onwards it was possible to trade the shares on the 'double fixing' segment of the Brussels Stock Exchange.

2005

On 2 March 2005 the structure of the Almanij/KBC group was simplified by means of a merger in the form of the acquisition of Almanij by KBC Bank-insurance Holding.

The merger to form KBC Group had a number of important consequences for Almancora:

- As a result of the merger Almancora acquired KBC Group shares on 2 March 2005, based on an exchange ratio of 1.35 KBC Group shares for each Almanij share.
- Until the merger, the shareholder stability of the Almanij/KBC group was guaranteed by Cera, Almancora and the Other Permanent Shareholders via a shareholder agreement. Following the merger this was replaced by a new shareholder agreement, to which MRBB also became a party. The stable shareholders of the KBC group were henceforth Cera, Almancora, MRBB and the Other Permanent Shareholders.
- The disappearance of Almanij also brought to an end the reserving of profit at Almanij level.

2007

On 15 June 2007 the company name Almancora was changed to KBC Ancora and the Almancora share was split by a factor of 1.4 (seven new KBC Ancora shares per five existing Almancora shares). The purpose of these two changes was to make the link between the KBC Ancora share and the KBC Group share even more explicit.

The split also means that since 15 June 2007, Cera members who withdraw with their D-shares have the right to receive 4.2 KBC Ancora shares in exchange for each D-share surrendered. This 'reimbursement on withdrawal' means that the proportion of Cera's participation in KBC Ancora to be distributed will decline steadily over time.

Since 15 June 2007, the KBC Ancora share has been listed on the continuous segment of the Euronext Brussels stock exchange.

On 8 August 2007, Cera and KBC Ancora reported that their joint participating interest in KBC Group had been increased to over 30%. Exceeding the 30% threshold was important in the context of the law on public takeover bids which came into effect in Belgium on 1 September 2007. Under this law, participating interests of more than 30% which were in existence at the time the law came into force are exempt from any obligation to issue a bid, whereas after that date exceeding this threshold carried a mandatory requirement to issue a public bid.

2012

KBC Group increased its capital by EUR 1.25 billion in December 2012 through the issue of new shares. KBC Ancora supported this capital increase, but did not participate in it itself. Cera participated less than proportionately in the capital increase. As a result of the increase, the joint participating interest of Cera and KBC Ancora fell below the 30% threshold. Cera and KBC Ancora did however contribute additional KBC Group shares which they already held to the shareholder agreement between Cera, KBC Ancora, MRBB and the Other Permanent Shareholders, so that this agreement continues to represent more than 30% of the total number of KBC Group shares.

2013

Since July 2013, KBC Ancora has a new lender for EUR 325 million of its debt, which had previously been provided in 2007 by KBC Bank.

KBC Ancora sold 4.7 million KBC Group shares in November 2013. The proceeds of this sale were used to repurchase a loan with a nominal amount of EUR 175 million, which had been provided to KBC Ancora by KBC Bank in 2007.

Both transactions had a positive impact on the capital position of KBC Bank.

2014

On 1 December 2014 Cera and KBC Ancora, together with MRBB and the Other Permanent Shareholders, extended their collaboration as a syndicate in updated form with respect to KBC Group for a further term of ten years, thereby ensuring the continued shareholder stability and supporting the further development of the KBC group. Cera, KBC Ancora, MRBB and the Other Permanent Shareholders contributed all their shares to the shareholder agreement, together representing 40% of the total number of KBC Group shares in issue.

KBC
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ANNUAL REPORT 2016/2017

KBC Ancora
Legal form: Civil company having taken the form of a
partnership limited by shares
Registered office: Mgr. Ladeuzeplein 15, 3000 Leuven
LEI 549300I4XZ0RR3ZOSZ55
Company number: 0464.965.639
Website: www.kbcancora.be

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BOARD OF DIRECTORS OF ALMANCORA SOCIETÉ DE GESTION

From left to right:
Liesbet Okkerse
Johan Massy
Franky Depickere
Jean-François Dister
Jules Stuyck
Henri Vandermeulen
Katelijn Callewaert
Koen Kerremans
Rita Van kerckhoven

Not in the photo:
Danielle Sougné
Herman Vandaele

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTORS

KBC Ancora's results for the financial year

KBC Ancora recorded a profit of EUR 843.2 million in the financial year 2016/2017, compared with a loss of EUR 21 million in the previous financial year.

Income consisted on the one hand of dividend received from the participating interest in KBC Group, and on the other of a substantial reversal of impairments previously applied to the participating interest in KBC Group.

KBC Group distributed an interim dividend in the year under review amounting to EUR 1.00 per share in November 2016, followed by a final dividend of EUR 1.80 per share in May 2017. As a result, KBC Ancora received dividends totalling EUR 217 million in the financial year under review.

In 2009, substantial impairments were applied to the participating interest in KBC Group in response to the impact of the financial crisis. The Board of Directors is of the opinion that the positive developments at the level of KBC Group allow for a reversal of a substantial proportion of these impairments of KBC Group shares. This produces a non-recurring result of EUR 646.5 million. Without these reversals, KBC Ancora would have ended the financial year 2016/2017 with a profit of EUR 196.7 million.

KBC Ancora's expenses consisted of the usual operating costs, and amounted to EUR 2.3 million, in line with the previous financial year. Interest charges totalled EUR 18.1 million, a reduction of EUR 0.7 million compared with a year earlier.

After set-off of the loss carried forward from the previous financial year (EUR 20.2 million), the result available for appropriation amounted to EUR 823 million. The following appropriation of profit will be proposed to the General Meeting of Shareholders to be held on 27 October 2017:

- addition of EUR 41.2 million (5% of the result available for appropriation) to the legal reserve;
- addition of EUR 614.2 million to the unavailable reserves. This amount represents 95% of the non-recurring result deriving from the reversal of impairments. The remaining 5% of the reversal of impairments is included in the increase in the legal reserve;
- distribution of a dividend of EUR 166.8 million (EUR 2.13 per share), which was paid to shareholders as an interim dividend on 8 June 2017;
- carry-forward of the balance of EUR 1.0 million, or EUR 0.01 per share, to the next financial year.

Balance sheet

KBC Ancora's balance sheet total increased by EUR 656.5 million in the year under review, to EUR 3.1 billion. This increase was due in large part to the partial reversal of impairments previously applied to the participating interest in KBC Group.

Participating interest in KBC Group

The participating interest in KBC Group remained unchanged in the year under review. As at the balance sheet date, KBC Ancora held 77,516,380 KBC Group shares, equivalent to 18.53% of the total number of KBC Group shares in issue. As stated earlier, the impairments previously applied to this participating interest were partially reversed. KBC Ancora is still the largest shareholder of KBC Group and, together with Cera and the other core shareholders, continues to play its role in the anchoring of the KBC group.

Creditors

Total debt stood at EUR 376.7 million on the balance sheet date, a reduction of EUR 19.9 million compared with the previous financial year.

Long-term financial liabilities totalled EUR 375 million, with maturity dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million).

Appointments at the statutory manager, Almancora Société de gestion[1]

Luc Discry reached the age limit for an A director set in the Articles of Association on 3 August 2016. He was replaced by Katelijn Callewaert.

On 25 November 2016, Liesbet Okkerse began her term of office as a B director, Koen Kerremans was reappointed as a B director and Rita Van kerckhoven was appointed as a C director.

KBC Group

KBC Group paid a total dividend of EUR 2.80 per share in respect of the financial year 2016. KBC Group has announced a dividend policy in which it will aim for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit. Barring exceptional or unforeseen circumstances, KBC Group will distribute an interim dividend of EUR 1.00 per share in November each year, followed by a final dividend after the Annual General Meeting of Shareholders.

On 10 August 2017 KBC Group announced a profit for the first half of 2017 of EUR 1,485 million. This compared with a profit of EUR 1,113 million in the same period in the previous year. This solid result reflects the strong commercial performance of KBC's bancassurance model, against a backdrop of strong economic growth, low inflation a strengthening euro and low interest rates. When publishing its interim results, KBC Group also announced that it would be paying an interim dividend of EUR 1.00 to shareholders on 17 November 2017.

Leuven, 31 August 2017

Franky Depickere
Managing Director and
Permanent representative of
Almancora Société de gestion

Jules Stuyck
Chairman of the Board of Directors
Almancora Société de gestion

Katelijn Callewaert
Managing Director
Almancora Société de gestion

1 Almancora Société de gestion is the statutory manager of KBC Ancora *(see 2.2 Almancora Société de gestion SA)*

DECLARATION BY THE RESPONSIBLE INDIVIDUALS

Declaration pursuant to the European regulations on transparency as imposed by the Belgian Royal Decree of 14 November 2007.

"We, the members of the Board of Directors of Almancora Société de gestion[2] , statutory manager of KBC Ancora SCA, hereby declare that, as far as we are aware, a) the KBC Ancora financial statements, which have been prepared in accordance with the financial reporting standards applicable in Belgium, give a true and fair view of the net worth, financial position and results of KBC Ancora; b) the KBC Ancora annual report gives a true and fair view of the development and results of the business and of the position of KBC Ancora, as well as a description of the principal risks and uncertainties with which the company is confronted."

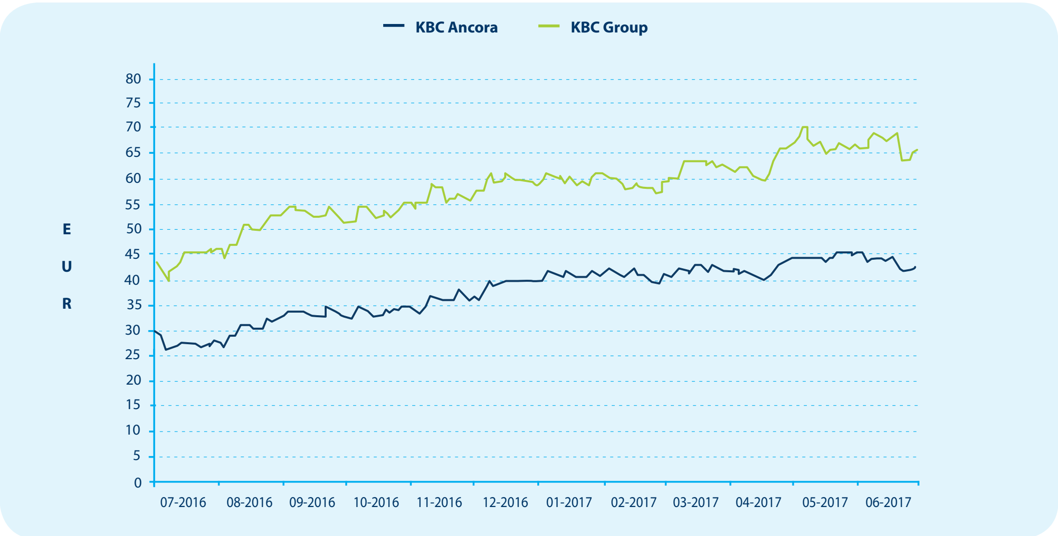
1 Investor information

1.1 Share price, discount and traded volumes

As at the balance sheet date, KBC Ancora had a total of 77,516,380 KBC Group shares in portfolio. Debt less other assets amounted to EUR 366.6 million. KBC Ancora has itself issued 78,301,314 shares. The intrinsic value[3] of one KBC Ancora share as at the balance sheet date accordingly corresponded to the price of 0.99 KBC Group shares less net debt[4] per share of EUR 4.68.

Chart 1 traces the performance of the KBC Ancora and KBC Group shares during the last financial year.

Chart 1: Trend in KBC Ancora and KBC Group share price during the last financial year



2 The individual members of the Board of Directors of Almancora Société de gestion are listed in *section 3.2.2.* of this Annual Report.
3 Intrinsic value: value per share calculated on the basis of the stock market price of the underlying listed share, less the net debt.
4 Net debt is defined in this Annual Report as the total liabilities less the total assets excluding financial assets.

Chart 2 shows the trend in the discount of the KBC Ancora share relative to its intrinsic value over the year under review. This fluctuated between 21% and 33%.

Chart 2: Trend in discount of the KBC Ancora share relative[5] to its intrinsic value over the last financial year

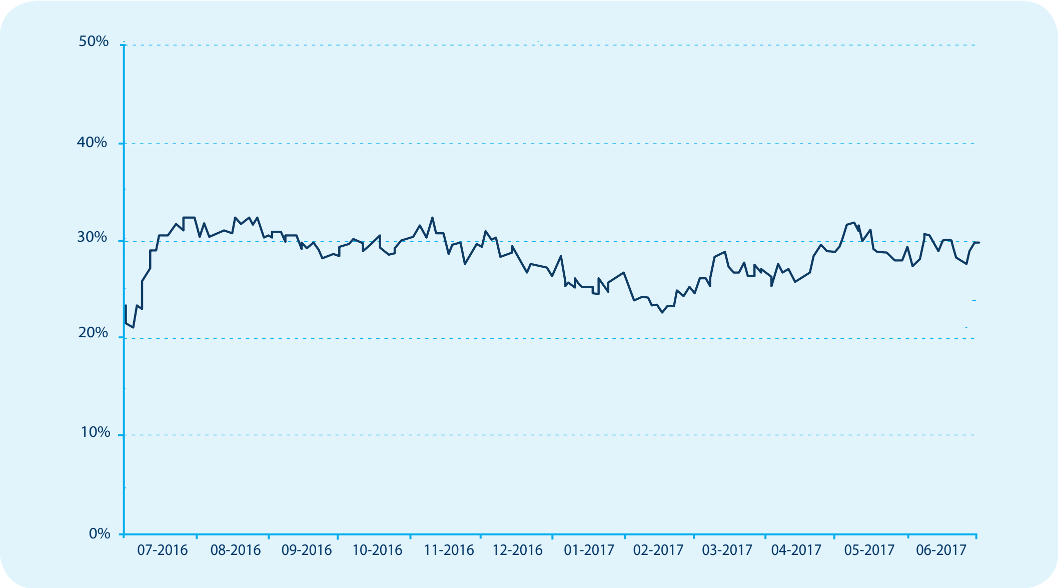
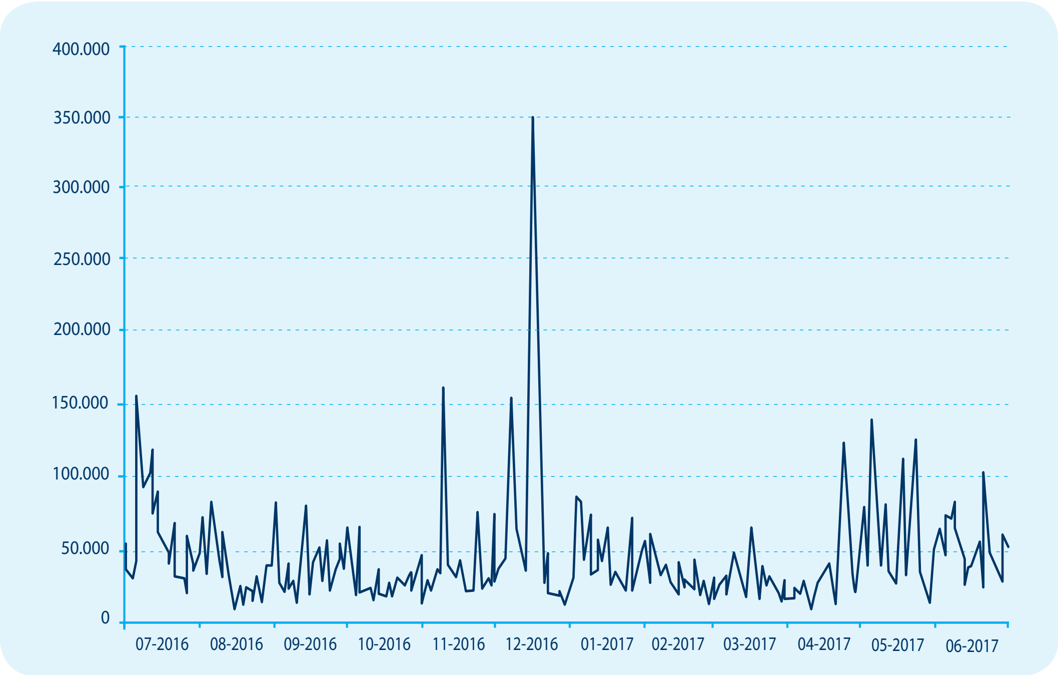


Chart 3 illustrates the liquidity of the KBC Ancora share.

Chart 3: Traded volumes of KBC Ancora shares on a daily basis in the past financial year



5 Intrinsic value per KBC Ancora share (IV) = (price of KBC Group share x number of KBC Group shares held by KBC Ancora + other assets – liabilities) / number of KBC Ancora shares in issue.
Discount in relative terms = (IV – KBC Ancora share price) / IV

Table1 summarises a number of stock market figures and compares them with the performance in previous financial years.

Table 1: Summary of stock market figures in recent financial years

	Financial year 2016/2017	Financial year 2015/2016	Financial year 2014/2015
High (EUR)	45.545	39.105	38.69
Low (EUR)	26.355	27.205	20.75
Price on the balance sheet date (EUR)	42.825	29.305	36.20
Average number of shares traded per day	45,506	50,390	60,620

Charts 4 and 5 show the trend in KBC Ancora's share price relative to that of the KBC Group share, the BEL20 Index and the Dow Jones EURO STOXX Bank Index in the year under review.

Chart 4: Trend in KBC Ancora and KBC Group share prices relative to BEL20 Index in the past financial year (30 June 2016 = 100)

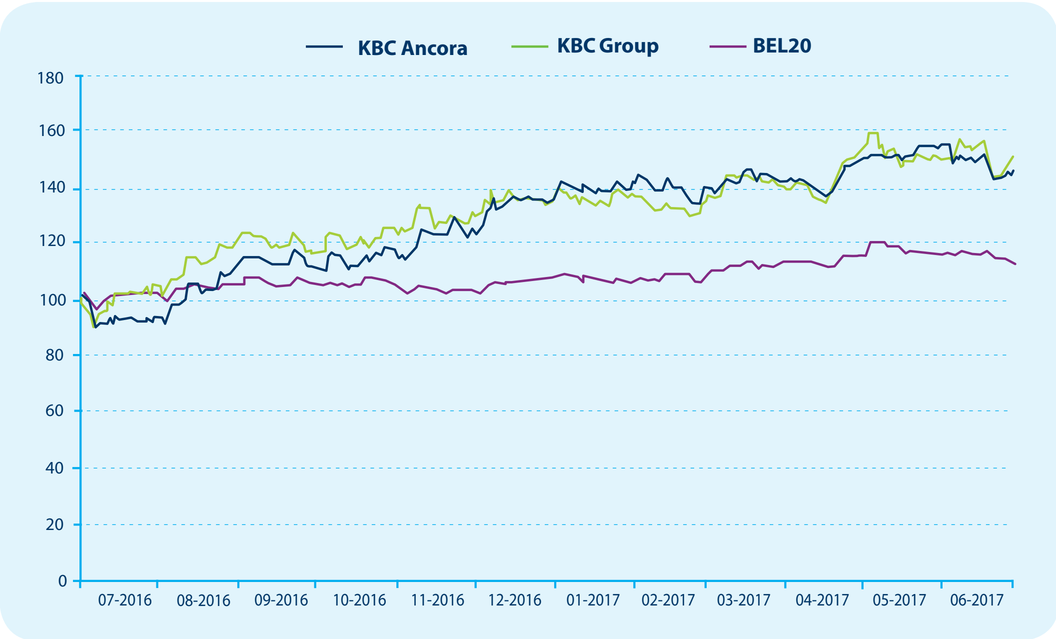
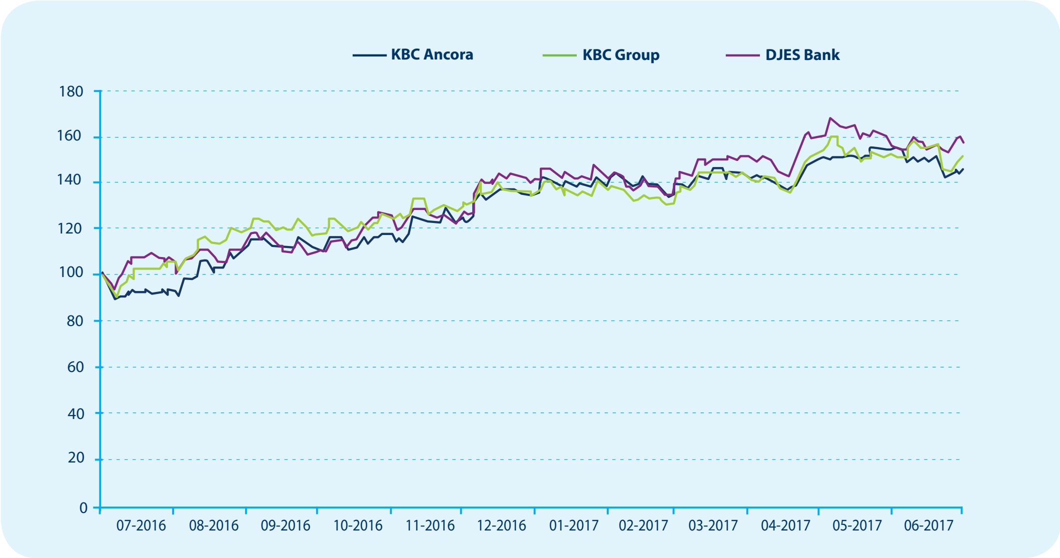


Chart 5: Trend in KBC Ancora and KBC Group share prices relative to Dow Jones EURO STOXX Bank Index in the last financial year (30 June 2016 = 100)



1.2 Key figures as at balance sheet date

1.2.1 Balance sheet and result

Table 2 contains a number of key figures as at the balance sheet date for the most recent financial years.

Table 2: Basic figures as at balance sheet date

	30 June 2017	30 June 2016	30 June 2015
Number of shares in issue	78,301,314	78,301,314	78,301,314
Number of KBC Group shares in portfolio	77,516,380	77,516,380	77,516,380
Balance sheet total in EUR	3,098,302,862	2,441,801,181	2,443,180,246
Market capitalisation in EUR (based on share price on balance sheet date)	3,353,253,772	2,294,620,007	2,834,507,567
Book value of capital and reserves in EUR	2,721,631,838	2,045,205,969	2,066,192,764
Market capitalisation/book value of capital and reserves	1.23	1.12	1.37

Table 3 summarises the results in recent financial years.

Table 3: Summary of results in recent financial years

Result of KBC Ancora (x EUR million)	**Financial year 2016/2017**	**Financial year 2015/2016**	**Financial year 2014/2015**
Income	**863.6**	**0.1**	**155.2**
Dividends from financial fixed assets	217.0	0.0	155.0
Reversal of impairments of financial fixed assets*	646.5	0.0	0.0
Other income	0.1	0.1	0.1
Expenses	**20.4**	**21.1**	**21.5**
Cost of debt	18.1	18.8	19.2
Services and sundry goods	2.3	2.3	2.3
Other costs	0.0	0.0	0.0
Result	**843.2**	**-21.0**	**133.7**

* In the notes to the financial statements this is included under 'Non-recurring income'.

1.2.2 Cash flow table

Table 4 shows KBC Ancora's cash flows.

The cash flow from operating activities in the financial year 2016/2017 (EUR 196.5 million) was determined by the difference between the dividends received by KBC Ancora from its participating interest in KBC Group on the one hand and the operating and finance costs on the other. This cash flow was used principally to fund the financing activities, consisting in the distribution of an interim dividend (EUR 166.8 million) and a reduction in (current) liabilities (EUR 19.7 million), leaving a net cash flow for the full financial year of EUR 10.0 million.

KBC Ancora did not receive a dividend from its participating interest in KBC Group in the financial year 2015/2016. The net cash holdings (EUR 21 million) needed to fund the operating activities (consisting principally of the usual operating and finance costs) were largely (EUR 19.7 million) financed through the drawdown of a short-term credit. Cash resources were also spent, leading to a net cash outflow of EUR 1.4 million.

The cash flow from operating activities in the financial year 2014/2015 was used almost entirely to fund the distribution of an interim dividend and to reduce the (short-term) liabilities.

Table 4: Cash flow table for the most recent financial years

Cash flow table (x EUR million)	**Financial year 2016/2017**	**Financial year 2015/2016**	**Financial year 2014/2015**
Operating activities	**196.5**	**-21.0**	**133.7**
Net result	*843.2*	*-21.0*	*133.7*
Non-cash result (reversal of impairments)	*-646.5*	*n/a*	*n/a*
Movement in net working capital	*-0.3*	*0.0*	*0.0*
Investing activities	**0.0**	**0.0**	**0.0**
Financial fixed assets	*0.0*	*0.0*	*0.0*
Financing activities	**-186.4**	**19.7**	**-132.3**
Short-term financial liabilities	*-19.7*	*19.7*	*-25.8*
Distribution of interim dividend	*-166.8*	*0.0*	*-106.5*
Total cash flow	**10.0**	**-1.4**	**1.4**

1.2.3 Dividend

On 8 June 2017 KBC Ancora distributed an interim dividend of EUR 2.13 gross per share, equivalent to a total dividend payout of EUR 166.8 million. Almancora Société de gestion, statutory manager of KBC Ancora, is proposing not to distribute a final dividend in respect of the financial year 2016/2017, and to carry forward an amount of EUR 1.0 million (EUR 0.01 per share) to the next financial year.

The gross dividend yield on KBC Ancora shares amounted to 4.97% of the closing price of the share of EUR 42.825 on 30 June 2017.

The appropriation of the result is discussed in more detail in section *3.3.3 Result and proposed profit appropriation*.

1.3 Distribution of KBC Ancora shares

1.3.1 KBC Ancora shareholder structure

There is a statutory requirement to disclose participating interests in listed companies of (multiples of) 5%. In addition, KBC Ancora's Articles of Association stipulate disclosure thresholds of 1% and 3%.

On 21 August 2017 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2017 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 41,869,879, or 53.47%, of the total of 78,301,314 KBC Ancora shares.

On 11 October 2016 FMR LLC announced that on 3 October 2016 FMR Co., Inc, a subsidiary of Fidelity Management & Research Company, which is itself a subsidiary of FMR LLC, had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 1,949,702 KBC Ancora shares, equivalent to a participating interest of 2.49%.

On 2 August 2016 Parvus Asset Management Europe Limited, controlled by Edoardo Mercadante, reported that on 27 July 2016 it had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 996,102 KBC Ancora shares, equivalent to a participating interest of 1.27%. On 5 July 2017 Parvus Asset Management Europe Limited announced that on 29 June 2017 it had fallen below the (lowest) disclosure threshold of 1% as set in the Articles of Association.

In addition, the disclosures made in earlier financial years by Lansdowne Partners Austria GmbH (1.02%) and Portus SA, controlled by Gino Coorevits (1.49%), are also relevant for the shareholder structure.
A complete list of the participating interest disclosures received in previous financial years can be found on the KBC Ancora website.

1.3.2 The road to the market

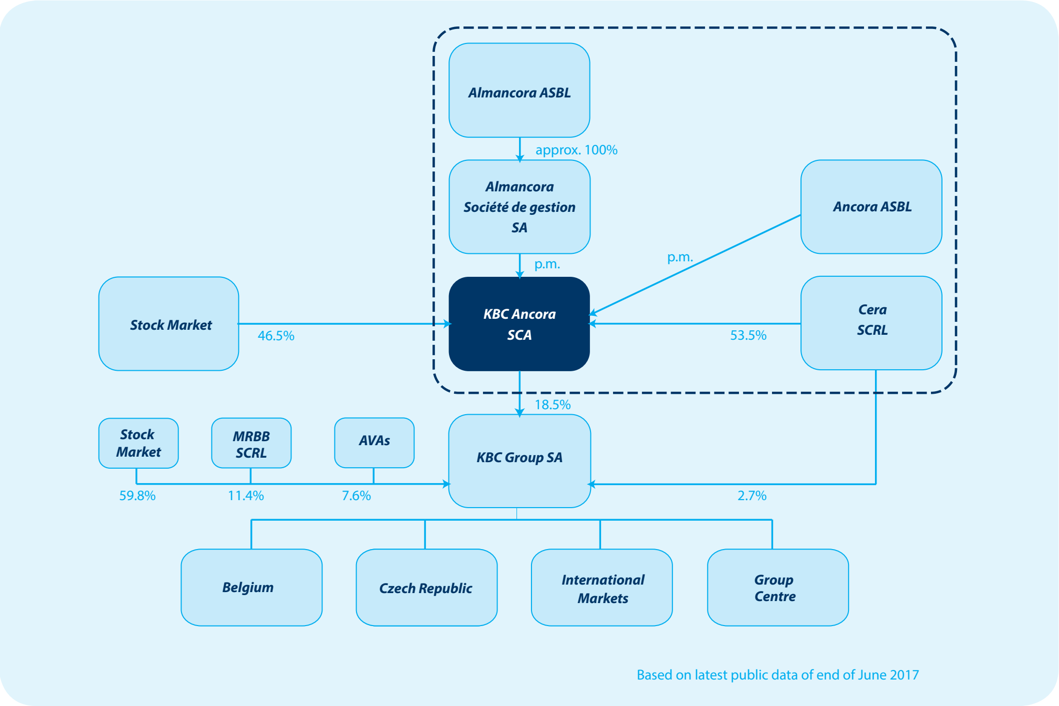
Members of the Cera cooperative who withdraw with their cooperative D-shares receive a special 'reimbursement on withdrawal', consisting primarily of 4.2 KBC Ancora shares. In other words, members receive 4.2 KBC Ancora shares for each D-share which they surrender on withdrawal from Cera. They can then choose between keeping the KBC Ancora shares or selling them on the stock market.

In principle, Cera members are permitted to withdraw voluntarily with their shares during the first half of each financial year. However, Cera's Articles of Association provide the possibility for the statutory manager, Cera Société de gestion, to temporarily refuse or suspend withdrawal by members. In the year under review, members were permitted to withdraw voluntarily during the first half of 2017. Cera Société de gestion did however reserve the right to limit such withdrawals to 10% of the capital, in order to safeguard the stability of the company. Consequently, requests for withdrawal submitted in the first half of the financial year 2017 were not executed until the end of June 2017, after expiry of the withdrawal period. Since the number of withdrawals was well below the 10% threshold, all withdrawal requests submitted were met in full. Compulsory withdrawals (e.g. as a result of death) are in all cases implemented in full.

2 Group structure

Chart 6 shows KBC Ancora's group structure within the KBC group. The dotted line indicates the companies that belong to the Cera/KBC Ancora group.

Chart 6: Group structure[6]



2.1 Almancora ASBL

The object of Almancora ASBL ('Association sans but lucratif') is to support the stability and continuity of KBC Group. As controlling shareholder of Almancora Société de gestion, it plays an important part in the appointment of the latter's Board of Directors.

In the same capacity, Almancora ASBL has the casting vote at the General Meeting of Shareholders of Almancora Société de gestion.

Almancora ASBL's Board of Directors comprises the representatives of Cera members serving on the Board of Directors of Almancora Société de gestion and the managing directors holding a directorship mandate at Almancora Société de gestion.

6 AVAs: Other Permanent Shareholders
MRBB: Maatschappij voor Roerend Bezit van de Boerenbond CVBA
These parties together with Cera and KBC Ancora constitute the core shareholders of KBC Group and have entered into a shareholder agreement to this end with a view to supporting the general policy of KBC Group (see *2.4 KBC Ancora SCA*).

2.2 Almancora Société de gestion SA

KBC Ancora does not have a Board of Directors of its own but is administered instead by a statutory manager – Almancora Société de gestion SA – the duties of which include setting out the policy to be pursued by KBC Ancora.

Almancora Société de gestion's Board of Directors (see *3.2.2 Board of Directors of Almancora Société de gestion SA*) is made up of at least four representatives of Cera members, at least two managing directors and at least three independent directors.

2.3 Ancora ASBL

KBC Ancora's Articles of Association include rules for dealing with conflicts of interest. It was in this context that Ancora ASBL was founded.

Ancora ASBL acts as ad hoc representative in the event that Almancora Société de gestion has a conflict of interest with regard to a decision it has to take as manager of KBC Ancora, if Almancora Société de gestion is prevented from fulfilling its duties or if the statutory manager's mandate expires before KBC Ancora's General Meeting of Shareholders is able to appoint a new statutory manager. In such an event, Ancora ASBL will temporarily assume the management role of Almancora Société de gestion.

The Board of Directors of Ancora ASBL consists of Almancora Société de gestion SA's independent directors.

2.4 KBC Ancora SCA

KBC Ancora's principal activity is the maintenance and management of its shareholding in KBC Group with a view to ensuring, in collaboration with Cera, MRBB and the Other Permanent Shareholders, the shareholder stability and continuity of KBC Group. To this end, KBC Ancora signed a shareholder agreement with these parties on 23 December 2004. Cera and KBC Ancora are viewed as a single party for the purposes of the agreement.

In December 2012, Cera and KBC Ancora contributed additional KBC Group shares which they already held to the shareholder agreement between Cera, KBC Ancora, MRBB and the Other Permanent Shareholders, so that this agreement continued to represent more than 30% of the total number of KBC Group shares, including after the capital increase effected by KBC Group in December 2012.

On 1 December 2014 Cera and KBC Ancora, together with MRBB and Other Permanent Shareholders, extended their collaboration as a syndicate in updated form with respect to KBC Group for a further term of ten years. Cera, KBC Ancora, MRBB and the Other Permanent Shareholders contributed all their shares to the shareholder agreement.

The shareholder agreement currently represents 168.2 million KBC Group shares, equivalent to 40.2% of the total number of KBC Group shares in issue. Cera and KBC Ancora have together committed 88.6 million KBC Group shares, or 21.20% of the total number of KBC Group shares. KBC Ancora has committed 77.5 million KBC Group shares, or 18.53% of the total, and Cera the rest.

3 Statutory manager's report

3.1 Declaration in connection with risks

Certain risk factors could have an impact on the value of the assets held by KBC Ancora and on its ability to distribute a dividend.

KBC Ancora's assets consist almost entirely of a participating interest in KBC Group. For information on the specific risks to which KBC Group is exposed, reference is made to the annual report and press releases of KBC Group, which are available on the website www.kbc.com.

A fall in the KBC Group share price will inevitably have a negative influence on the value of KBC Ancora' assets.

The investment in KBC Group is funded from capital and reserves in combination with loans from financial institutions. As at the balance sheet date, those loans amounted to EUR 375 million. These are long-term loans carrying fixed rates of interest, with repayment dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million). KBC Ancora closely monitors the interest-rate and refinancing risk.

In principle, KBC Ancora's recurring income consists mainly of the dividend it receives from its participating interest in KBC Group.

In the event that KBC Ancora does not receive a dividend from its participating interest in KBC Group in any given year, KBC Ancora will itself not pay a dividend in that year. If KBC Ancora once again receives KBC Group dividend in a subsequent financial year, its carried-forward result will be taken into account when determining the profit available for distribution.

3.2 Declaration concerning effective corporate governance

KBC Ancora attaches great importance to corporate governance.

KBC Ancora applies the Belgian Corporate Governance Code as a reference code. It is committed to implementing the 2009 Code as fully as possible.

KBC Ancora's Corporate Governance Charter explains the principal elements of the company's policy in relation to corporate governance. It is available on the website www.kbcancora.be.

As KBC Ancora is managed by a statutory manager, the provisions of the Belgian Corporate Governance Code are applied at the level of the Board of Directors of Almancora Société de gestion SA.

The Board of Directors of Almancora Société de gestion applies the principles from the Corporate Governance Code in full. It deviates from the provisions of the Code where the specific characteristics of KBC Ancora or its statutory manager or specific circumstances make this necessary. In such cases the deviation is explained in accordance with the 'comply or explain' principle.

KBC Ancora's Corporate Governance Charter deviates from only two provisions of the Code.

Contrary to Provisions 5.1 and 5.3/4 of the Corporate Governance Code, the Appointments Committee of Almancora Société de gestion may submit proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almancora Société de gestion as regards the appointment of A, B and C directors. This offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests.

In addition, contrary to Provision 7.11 of the Corporate Governance Code, for the reasons explained in *section 3.2.6* the members of the Day-to-Day Management Committee receive no variable remuneration for their actual and set functions within KBC Ancora.

3.2.1 Management structure

The statutory manager bears unlimited liability vis-à-vis KBC Ancora's creditors. KBC Ancora's other shareholders are only liable to the extent of their contribution.

Under the terms of the Belgian Companies Code (Code des sociétés), the statutory manager's endorsement must be obtained before any decision of the General Meeting of Shareholders affecting third parties (e.g. payment of a dividend) or any amendment to the Articles of Association can be ratified or enacted.

The manager was appointed in the Articles of Association for an indefinite period. Its mandate may only be terminated under exceptional circumstances. The manager may however choose to resign without having to seek the endorsement of the General Meeting of Shareholders.

Almancora Société de gestion is authorised as manager to do all that is necessary for or conducive to the achievement of the company's object, with the exception of powers that are reserved by law for the General Meeting of Shareholders.

Almancora Société de gestion receives no remuneration for exercising its managerial mandate, but costs incurred during the exercise of that mandate are reimbursed.

3.2.2 Board of Directors of Almancora Société de gestion SA

The following changes took place in the composition of the Board of Directors in the year under review:

- Luc Discry's term of office as an A director of Almancora Société de gestion ended on 3 August 2016 as he had reached the age limit set in the Articles of Association. At the Extraordinary General Meeting of Almancora Société de gestion held on 24 June 2016, Katelijn Callewaert was appointed as a new A director with effect from 3 August 2016.
- At the Extraordinary General Meeting of Almancora Societé de gestion held on 29 April 2016, Liesbet Okkerse was appointed as a new B director for a term of four years with effect from 25 November 2016.
- At the General Meeting of Almancora Société de gestion held on 25 November 2016, Koen Kerremans was reappointed as a B director for a new term of four years, Formafin SCS (with Danielle Sougné as permanent representative) was appointed as a C director for a term of four years (replacing Danielle Sougné) and Rita Van kerckhoven was appointed as a C director for a term of four years.
- At an Extraordinary General Meeting held on 27 January 2017, BODA SCS (with Rita Van kerckhoven as permanent representative) was appointed as a new C director (replacing Rita Van kerckhoven).

Katelijn Callewaert (b. 1958) obtained a degree in Law (Licentiaat in de Rechten) at Ghent University in Belgium, and also obtained a diploma in fiscal studies at the Fiscale Hogeschool in Brussels.

She worked at PwC Tax Consultants bcvba-sccrl from 1981 to the end of 2014, since 1991 as a director, holding the position of Tax Director Global Compliance Services. She was also a member of the TLS (Tax and Legal Services) HR Board of PwC Tax Consultants. She was also a member of the Belgian Institute of Accountants and Tax Consultants (IAB-IEC), sat on various committees of the IAB-IEC and was a member of the International Fiscal Association (IFA) and the Association for Fiscal and Accountancy Professions for the province of Brabant (BAB Brabant). She has also worked as a lecturer and is a member of the examinations board at the Fiscale Hogeschool in Brussels.

She has been a managing director of Cera Société de gestion and Almancora Société de gestion since 3 August 2016.

Liesbet Okkerse (b. 1978) obtained her doctorate in Applied Economics at the University of Antwerp (UFSIA).

She is active in a professional capacity as a financial administrator in the municipality of Zoersel.

She has been a member of the Board of Directors of Cera Société de gestion since 29 April 2016, and was appointed to the Board of Directors of Almancora Société de gestion with effect from 25 November 2016.

Rita Van kerckhoven (b.1954) obtained the degree of Licentiate in Applied Economics at the University of Antwerp (UFSIA), and also holds a Diploma in Education.

From 1977 to 1995 she fulfilled a number of technical and commercial roles at IPPA Bank SA. Subsequently, from 1995 to 1998, she was a member of the Executive Board of the Antwerp branch of the Private Banking Division of CERA Investment Bank SA, and from 1998 to 2016 she held several commercial management positions at the Antwerp branch of F. Van Lanschot Bankiers SA.

She was appointed as an independent director of Almancora Société de gestion SA on 25 November 2016. Since 27 January 2017 she has fulfilled her director's mandate as a permanent representative of the limited partnership BODA.

Table 5 shows the composition of the Board of Directors of Almancora Société de gestion and the committees set up under the Board's aegis. The number of meetings attended by each Board member is reported for the Board of Directors and its committees. The Board met eleven times in the financial year 2016/2017; the Day-to-Day Management Committee met eleven times; the Audit Committee met six times, the Appointments Committee seven times and the Remuneration Committee four times.

Table 5: Composition of the Board of Directors of Almancora Société de gestion SA and summary of attendance

Name	End of current term	A directors	B directors	C directors	Day-to-Day Management Committee	Audit Committee	Appointments Committee	Remuneration Committee
Franky Depickere	2018	11			11		7	
Katelijn Callewaert (since 03.08.2016)	2020	11			11			
Jean-François Dister	2018		11				7	4
Koen Kerremans	2020		11					
Johan Massy	2017		11			6		
Liesbet Okkerse[7] (since 25.11.2016)	2020		8					
Henri Vandermeulen	2020		11					
Danielle Sougné / Formafin SCS (with Danielle Sougné as permanent representative)[8]	2020			6		2	3	
Jules Stuyck Chairman	2017			11			7	4
Herman Vandaele	2018			11		6	7	4
Rita Van kerckhoven / BODA SCS (with Rita Van kerckhoven as permanent representative (since 25.11.2016)[9]	2020			7		4		

7 Liesbet Okkerse has been a member of the Board of Directors since 25 November 2016. Since taking up her mandate, she has attended all meetings of the Board of Directors.

8 Since 25 November 2016 Danielle Sougné has fulfilled her roles as a member of the Board of Directors and of the Audit Committee as a permanent representative of the limited partnership Formafin SCS.

9 Rita Van kerckhoven has been a member of the Board of Directors and of the Audit Committee since 25 November 2016. Since 27 January 2017 she has fulfilled this role as a permanent representative of the limited partnership BODA SCS. Since taking up her mandate, she has attended all meetings of the Board of Directors and all meetings of the Audit Committee.

3.2.2.1 Composition of the Board of Directors

The mandate of the statutory manager, Almancora Société de gestion, may only be terminated with its agreement or the courts, if there are lawful reasons for doing so. For that reason, a great deal of attention has been paid to the way in which the Board of Directors of Almancora Société de gestion is constituted. Account was taken when drafting the Articles of Association of KBC Ancora's anchoring objective, the principles of effective corporate governance – more specifically recommendations from competent authorities – and the legal rules regarding conflicts of interest in listed companies.

The Board of Directors of Almancora Société de gestion consists of three types of directors, each with its own specific conditions for appointment:

- **A directors** are those whose directorship forms part of their everyday professional activity. The individuals in question are managing directors of Almancora Société de gestion, with individual powers of representation. The two current A directors are also managing directors of Cera Société de gestion, Cera's statutory manager. This creates a personal link between KBC Ancora and Cera.

- **B directors** are non-executive directors who are members of the consultative bodies that operate within Cera Ancora, ASBL as long as the latter does not oppose their candidacy. These directors personify the institutional link between KBC Ancora and Cera, as also enshrined in the description of KBC Ancora's object as set out in its Articles of Association.

- **C directors** are independent directors. They are appointed because of their independence vis-à-vis the management of KBC Ancora, Cera and the KBC group.

Directors are appointed for a maximum term of four years.

Directorships may be renewed. If a directorship is renewed within the same category, the director concerned may be reappointed one or more times on expiry of each term of office, though only for immediately following terms. A directorship may not last for more than a total of 12 years.

B and C directorships terminate by law following the Annual General Meeting held in the twelfth year of the directorship. B or C directorships also end by law in any event following the General Meeting of Shareholders held in the year following the year in which the director in question has reached the age of 70 years. A directorships are renewable without limit but end by operation of law at the moment that the director concerned reaches the age of 65 years.

In the event that there are one or more unfilled directorships, the remaining directors of the same category are authorised to fill the vacancy or vacancies on a temporary basis from candidates proposed by the Appointments Committee until the next General Meeting of Shareholders.

The Board selects a Chairman from among its B and C members.

There must be a minimum of three C directors. The A and C directors together constitute the majority on the Board of Directors. Persons may only be appointed as A, B or C directors by the General Meeting of Shareholders at the nomination of the Appointments Committee of

Almancora Société de gestion. The C directors constitute the majority of the members of this Appointments Committee.

The company applies strict independence criteria. These independence criteria are set out in Article 9 of the Articles of Association of Almancora Société de gestion. All C directors also comply with the statutory independence criteria as defined in Section 526ter of the Belgian Companies Code (Code des sociétés).

By 1 January 2017 at the latest, at least one third of the members of the Board of Directors must be of a different gender from the remaining members. On the balance sheet date, the Board of Directors consisted of four women and seven men, thus meeting the requirements of the law.

3.2.2.2 Powers of the Board of Directors

The Board of Directors of Almancora Société de gestion is authorised to perform all acts which are necessary for or conducive to the achievement of the company's object and, in the context of its management of KBC Ancora, for the achievement of the object of KBC Ancora.

In exercising its management mandate within KBC Ancora, Almancora Société de gestion pays particular attention to KBC Ancora's object. That object is aimed at the maintenance and management of a participating interest in KBC Group, or every company and/or group of companies which is a continuation thereof in order, together with Cera, to achieve and maintain the anchoring of KBC Group as described in the KBC Ancora Articles of Association.

The Board of Directors carries out all tasks which are assigned to it by law and/or the Articles of Association. Decisions on the strategy of the company, its values and the focus of its policy take account of the consultations between KBC Ancora and Cera.

The Board of Directors exercises these powers with regard both to the management of Almancora Société de gestion itself and in relation to the management of KBC Ancora, given the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, all in accordance with the respective provisions of the Articles of Association. Where relevant, the Board of Directors also takes into account the cost-sharing agreement between Cera and KBC Ancora (see *3.3.2.2.1 Costs within the cost-sharing agreement with Cera*).

The Board of Directors is also authorised, in view of the capacity of Almancora Société de gestion as statutory manager of KBC Ancora, to consult and collaborate with Cera in the light of their parallel anchoring objective.

Almancora Société de gestion is bound to implement its mandate as statutory manager personally. However, as permitted by KBC Ancora's Articles of Association, the Board of Directors of Almancora Société de gestion has delegated the day-to-day management of KBC Ancora and of Almancora Société de gestion, as well as the implementation of the decisions taken by the statutory manager, to two A directors who together constitute the Day-to-Day Management Committee.

3.2.2.3 Functioning of the Board of Directors

The functioning of the Board of Directors is governed by the Articles of Association, supplemented by the relevant provisions of the Belgian Companies Code (Code des sociétés). Further details are contained in the 'Guidelines for Directors of Almancora Société de gestion for the exercise of their directorship', which form part of the Internal Addendum to the KBC Ancora Corporate Governance Charter.

The Board of Directors met eleven times in the year under review. Each of these meetings was attended by virtually all members. In addition to its traditional duties (adopting the annual and interim results, proposal for appropriation of result, monitoring the activities of the Audit Committee, Appointments Committee and Remuneration Committee, approving the budgets, etc.), the Board of Directors also addressed the following topics among others in the financial year 2016/2017:

- Monitoring of the strategy and results of the KBC group and functioning of the shareholder syndicate;
- Valuation of KBC Ancora's financial fixed assets;
- KBC Ancora interim dividend;
- Proposal concerning additional payment for extra activities by the auditor in connection with the interim dividend;
- Overseeing the procedure in relation to the minority claim;
- Succession of directorships (appointment of one C director and reappointment of one B director and one C director);
- Appointment of members of Audit Committee;
- Updating the KBC Ancora code of conduct to prevent market abuse.

3.2.3 Committees appointed within the Board of Directors

3.2.3.1 Day-to-Day Management Committee

- **Composition:**
  The Day-to-Day Management Committee is a collegial body and comprises the two A directors. The term of office of the members of the Day-to-Day Management Committee ends on expiry of their term of office as A directors on the Board of Directors.

- **Powers:**
  The Day-to-Day Management Committee prepares the meetings of the Board of Directors and forwards proposals for decisions to the Board.
  The Committee exercises its powers autonomously, but always within the framework of the general strategy as adopted by the Board of Directors.
  The Day-to-Day Management Committee is authorised to conduct the day-to-day management of both Almancora Société de gestion and KBC Ancora.

- **Functioning:**
  The Day-to-Day Management Committee has been charged by the Board of Directors with the day-to-day management of the company. In principle, the Day-to-Day Management Committee meets once a month. The Committee met eleven times in the year under review. In addition, there were of course ongoing informal contacts between the Managing Directors.

3.2.3.2 Audit Committee

- **Composition:**

  The Audit Committee comprises a minimum of three directors, other than A directors. More than half the members of the Audit Committee must be C directors.

  C directors are independent directors, all of whom meet the independence criteria as set forth in the Belgian Corporate Governance Code and in Section 526ter of the Belgian Companies Code (Code des sociétés).

  Herman Vandaele and Danielle Sougné were designated as the Audit Committee members with specific experience in relation to accounting and audit.

  Herman Vandaele *obtained a degree in Applied Economics (Licentiaat in de Toegepaste Economische Wetenschappen) at the University of Antwerp (UFSIA) and the degree of Master in Treasury & Banking and Tax Management at IPO Antwerpen (now Antwerp Management School). He also followed an Executive Management Programme at CEDEP/INSEAD in Fontainebleau and a Leadership Program at the University of Colorado Denver. Until the end of December 2010 he was General Manager Corporate Projects at NV Bekaert, and since 1975 has held various posts within the Bekaert group both in Belgium and abroad. He possesses years of experience in corporate and headquarter responsibilities. His expertise extends among other things to plant control, corporate finance, audit, personnel management, IT, corporate treasury and banking, M&A, shared services, investor relations and general management. In the period 1985-2000 he worked as a lecturer at the Ehsal and Vlekho Institutes (now University College Brussels) and at IPO Antwerpen (now Antwerp Management School).*

  Danielle Sougné *obtained the degree of Licentiaat in Business Studies and a teaching certificate in Economics at the Management School of the University of Liège (HEC). She also obtained the degree of Master in Administration and Management (Finance orientation) and a PhD in Applied Economics (Finance orientation) at Université Catholique de Louvain (UCL). Since 1999 she has been a lecturer in Financial Management at the Management School of the University of Liège, where she became chair of the 'Finance et Droit' (Finance and Law) department in 2008. She has been a full-time academic since 1999, teaching a range of subjects including Capital Budgeting and Valuation, Corporate Finance, Introduction to Consolidation, Accountancy and Taxation, and Financial Markets.*

  It is evident from the foregoing that a sufficient number of the independent directors who are members of the Audit Committee meet the independence and expertise criteria as laid down in Section 96, §1, 9° of the Belgian Companies Code (Code des sociétés), and that the Audit Committee therefore possesses sufficient relevant expertise in relation to accounting and audit.

  The Audit Committee elects a Chairman from among its members, who may not also be the Chairman of the Board of Directors, and appoints a secretary.

  The Audit Committee is chaired by Herman Vandaele.

- **Powers:**

  The Audit Committee supports the Board of Directors in the performance of its supervisory tasks in respect of audit in the widest sense.

The Audit Committee's tasks relate in particular to:

- Financial reporting and communication;
- Internal control and risk management;
- Overseeing the effective functioning of the company's internal control system;
- The external audit function performed by the auditor;
- Additional audit duties

- **Functioning:**

  The Audit Committee meets as often as necessary for its proper functioning, and at least four times a year.

  The Audit Committee's activities are governed by the Internal Rules of the Audit Committee, which are incorporated in the Corporate Governance Charter.

  The managing directors are not members of the Audit Committee, but are invited to attend meetings. This arrangement guarantees the necessary dialogue between the Board of Directors and the executive management.

  The Audit Committee met six times during the year under review. Among the topics discussed in the financial year 2016/2017 were the following:

  - Valuation of KBC Ancora's financial fixed assets;
  - KBC Ancora's financial planning;
  - Draft financial statements and draft annual report of KBC Ancora for the financial year 2015/2016;
  - KBC Ancora remuneration report for the financial year 2015/2016;
  - Overseeing the procedure in relation to the minority claim;
  - Evaluation of the effectiveness of the Audit Committee and the adequacy of the Internal Rules of the Audit Committee;
  - Budgetary controls and cost-sharing agreement between Cera and KBC Ancora;
  - Interim figures of KBC Ancora;
  - KBC Ancora interim dividend;
  - Proposal concerning additional payment for extra activities by the auditor in connection with the interim dividend;
  - Audit planning by the auditor;
  - Annual discussion concerning the independence of the auditor;
  - KBC Ancora budgets for the financial year 2017/2018;
  - Internal control and risk management/internal audit.

3.2.3.3 Appointments Committee

- **Composition:**

  The Appointments Committee comprises a minimum of three directors. The C directors constitute the majority of the Appointments Committee.
  The Appointments Committee is chaired by the Chairman of the Board of Directors of Almancora Société de gestion, except where the choice of his or her successor is being discussed.

- **Powers:**
  The Appointments Committee submits proposals directly (i.e. without the intervention of the Board of Directors) to the General Meeting of Shareholders of Almancora Société de gestion as regards the appointment of A, B and C directors. The Appointments Committee nominates at least two candidates for each vacancy.

  As the majority of the Appointments Committee consists of independent, non-executive directors (C directors), the direct nomination of candidate directors offers the best guarantee of an independent nominations policy, in which the focus is exclusively on KBC Ancora's interests.

  No directors may be appointed who have not been nominated by the Appointments Committee.

- **Functioning:**
  The Appointments Committee meets as often as necessary for its proper functioning, and at least twice a year.

  The Appointments Committee's activities are governed by the Internal Rules of the Appointments Committee, which are incorporated in the Corporate Governance Charter.

  The Appointments Committee met seven times during the year under review. Among the matters discussed at these meetings were the following:

  - Nomination for reappointment of one B director;
  - Nomination for appointment of two C directors;
  - Filling of Audit Committee vacancies;
  - Evaluation of the activities of the Appointments Committee;
  - Evaluation of the composition and size of the Board of Directors and the Committees;
  - Appointment procedure for C director.

  Whenever necessary or appropriate, joint meetings are organised between the Appointments Committee of Almancora Société de gestion and the Appointments Committee of Cera Société de gestion.

3.2.3.4 Remuneration Committee

- **Composition:**
  The Remuneration Committee comprises at least three directors, other than A directors, of whom the majority are C directors.
  The Remuneration Committee is chaired by the Chairman of the Board of Directors of Almancora Société de gestion.

- **Powers:**
  The Remuneration Committee:
  - makes proposals regarding the remuneration policy for B and C directors;
  - makes proposals regarding the remuneration policy for members of the Day-to-Day Management Committee (A directors);
  - makes recommendations concerning the individual remuneration of B and C directors and of members of the Day-to-Day Management Committee;
  - makes proposals regarding the remuneration policy for management members other than the members of the Day-to-Day Management Committee of Almancora Société de gestion.

Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

- **Functioning:**

  The Remuneration Committee meets as often as necessary for its proper functioning, and at least twice a year. The Remuneration Committee met four times in the year under review.

  The Remuneration Committee has sufficient relevant expertise in the field of remuneration policy. Among the members of the Remuneration Committee, Herman Vandaele possesses specific experience in the field of HR management and remuneration of company directors.

  The Remuneration Committee's activities are governed by the Internal Rules of the Remuneration Committee, which are incorporated in the KBC Ancora Corporate Governance Charter.

  Among the matters discussed in the Remuneration Committee in the year under review were the remuneration of B and C directors, the job descriptions and evaluation of the managing directors and an evaluation of the functioning of the Remuneration Committee.

3.2.4 Auditor

The General Meeting of Shareholders held on 31 October 2014 reappointed KPMG Réviseurs d'entreprises (KPMG) as auditor for a further period of three years. KPMG Reviseurs d'entreprises appointed Olivier Macq as its permanent representative.

KPMG Réviseurs d'entreprises received a fee of EUR 14,912 (excluding VAT) in the financial year 2016/2017 for the performance of its normal auditing duties, plus an additional fee of EUR 5,000 (excluding VAT) for extra activities in connection with the interim dividend.

3.2.5 Main features of the evaluation process for the Board of Directors, its committees and its individual members

The Board of Directors discusses and evaluates its size, composition and activities on a regular basis, and at least once every three years, as well as the functioning of the Board and its committees and the interaction between the Board of Directors and the Day-to-Day Management Committee. This evaluation is performed by the Board of Directors on the initiative of the chairman and assisted by the Appointments Committee. In addition, each committee tests and assesses its effectiveness each year and submits a report on this to the Board of Directors. Where necessary, the committee in question proposes changes to the Board of Directors.

The contribution of each member of the Board of Directors is periodically evaluated in order to be able to adapt the composition of the Board of Directors to take account of changing circumstances. The evaluation takes into account their general role as directors as well as their specific roles as chairman or member/chairman of a committee, respectively. In the event of a reappointment, the commitment and effectiveness of the director are assessed in accordance with a predetermined and transparent procedure.

The Board of Directors acts on the basis of the results of the evaluation by further developing its strengths and addressing its weaknesses. Where appropriate this means that new members are proposed for appointment, that a proposal is made that existing members should not be reappointed or that measures are taken that are deemed conducive to the effective functioning of the Board of Directors.

B and C directors meet at least once a year in the absence of the A directors in order to evaluate their interaction with the Day-to-Day Management Committee.

3.2.6 Remuneration report for the financial year 2016/2017

Description of the procedures for the development of the remuneration policy of individual directors and members of the Day-to-Day Management Committee

Almancora Société de gestion receives no remuneration for performing its mandate as a statutory manager. It does receive reimbursement of the costs it incurs in respect of the remuneration paid to the directors and for the reimbursement of expenses paid to B and C directors.[10]

As KBC Ancora is managed by a statutory manager, the statutory provisions in respect of remuneration policy and the relevant provisions of the Belgian Corporate Governance Code are applied transparently at the level of the Board of Directors of Almancora Société de gestion SA. The Board of Directors of Almancora Société de gestion has appointed a Remuneration Committee which formulates proposals in respect of the remuneration policy for B and C directors, members of the Day-to-Day Management Committee (A directors) and the other Board members, and makes recommendations concerning their individual remuneration. The Remuneration Committee has an advisory function.

The Remuneration Committee monitors trends in legislation, the Corporate Governance Code and market practices, paying particular attention to developments in the remuneration policy at KBC Group SA, and may seek external advice where necessary. The Board of Directors may also instruct the Remuneration Committee on its own initiative or at the proposal of the Day-to-Day Management Committee to investigate possible changes to the remuneration policy and to advise the Board of Directors accordingly.

Whenever necessary or appropriate, joint meetings are organised between the Remuneration Committee of Almancora Société de gestion and the Remuneration Committee of Cera Société de gestion.

Declaration concerning the remuneration policy pursued during the year under review with respect to directors and members of the Day-to-Day Management Committee

The Remuneration Committee hereby declares the following:

<u>Principles of the remuneration policy with due observance of the relationship between remuneration and performance</u>

<u>Non-executive directors:</u>

As a basic principle, non-executive directors (B and C directors) of Almancora Société de gestion receive a fair level of remuneration which is proportionate to their contribution to the policy of KBC Ancora and which is based on the following principles:

- The remuneration of B and C directors takes into account their responsibilities and time investment.
- B and C directors receive a fixed remuneration and an attendance fee for each meeting of the Board of Directors attended. The remuneration of B directors also takes into account the remuneration they receive for their membership of the Board of Directors of Cera Société de gestion.

10 In addition to the payments to directors, which account for the majority of the total expenses incurred by Almancora Société de gestion in the performance of its mandate as manager, Almancora Société de gestion's other operating costs are also charged in full to KBC Ancora (see section *3.3.2.2.3 of this Annual Report*).

- Given the large amount of time he/she invests in KBC Ancora, the Chairman of the Board of Directors enjoys a deviating remuneration regime. He or she receives a higher fixed remuneration, but no attendance fees.
- B and C directors who are members of the Audit Committee also receive an attendance fee for each meeting of the Committee they attend. The chairman of the Audit Committee receives a fixed remuneration.
- The members of the Appointments Committee and the Remuneration Committee do not receive attendance fees, but merely a travel allowance.
- Finally, B and C directors are entitled to reimbursement of expenses incurred in exercising their function as directors.

Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

Executive directors:

The Day-to-Day Management Committee is a collegial body comprising two managing directors (A directors) and is charged with the day-to-day management of both Almancora Société de gestion and KBC Ancora.

The present A directors of Almancora Société de gestion are also the A directors of Cera Société de gestion, statutory manager of Cera.

As members of the Day-to-Day Management Committees, A directors are charged among other things with the day-to-day management of KBC Ancora and Cera, respectively. Their remuneration package is fixed contractually by Cera. With the exception of any variable remuneration of the chairman of the Day-to-Day Management Committee (which is paid in full by Cera), 20% of their total reimbursement is charged on to KBC Ancora in the context of the cost-sharing agreement between Cera and KBC Ancora (see *3.3.2.2.1 Costs within the cost-sharing agreement with Cera*). Where relevant, consultation takes place with the Remuneration Committee of Cera Société de gestion.

The remuneration of the members of the Day-to-Day Management Committee, 20% of which is paid by KBC Ancora, consists of a fixed remuneration, the use of a company car or travel allowance and a competitive insurance package, which among other things includes a supplementary retirement or survivor's pension, disability insurance, hospitalisation insurance and emergency assistance insurance.

The amount of the fixed remuneration is determined on the basis of the individual responsibilities and powers of the A directors, taking into account the remuneration paid for comparable functions in the marketplace.

Any variable remuneration of the A directors within Cera is not passed on via the cost-sharing agreement. A directors also receive no variable remuneration from KBC Ancora. The ultimate objective of KBC Ancora, namely the anchoring of KBC Group, is predicated on a very long-term vision. In the light of this, it is not entirely appropriate to formulate performance criteria, the assessment of which will inevitably be based on a relatively short-term perspective. Moreover, variable remuneration which is based solely on individual performance criteria pertaining to one A director within KBC Ancora will inevitably be limited in scope compared with the fixed remuneration. Bearing in mind the modest share taken by KBC Ancora in the fixed remuneration

(20%), the benefits of this limited variable remuneration are not sufficient to justify the administrative complexity it involves, because it would bring the personal financial interests of the A directors and the interests of KBC Ancora into line to only a limited extent. For this reason, KBC Ancora decided to deviate from Provision 7.11 of the Corporate Governance Code, which recommends that an appropriate portion of the remuneration package of the executive management be linked to the performance of the company and to the performance of the individuals concerned.

Relative weight of the different remuneration components

During the year under review, the fixed portion of the remuneration and the pension contributions were the most important components.

Features of the performance bonuses in the form of shares, options or other rights to acquire shares

Not applicable.

Information on the remuneration policy for the next two financial years

The Remuneration Committee periodically evaluates the remuneration policy, and at the present time has no intention of materially amending the principles on which that policy is based.

Remuneration of individual non-executive directors of Almancora Société de gestion SA

Table 6: Remuneration of non-executive directors of Almancora Société de gestion

	Board of Directors (fixed)	Board of Directors (attendance fee)	Audit Committee (fixed)	Audit Committee (attendance fee)	Total
Jean-François Dister	3,616	4,740	-	-	8,356
Koen Kerremans	3,616	4,068	-	-	7,684
Johan Massy	5,424	4,068	-	2,718	12,210
Liesbet Okkerse	2,421	2,724	-	-	5,145
Danielle Sougné / Formafin SCS	8,543	4,470	-	1,079	14,092
Jules Stuyck	33,308	-	-	-	33,308
Herman Vandaele	7,320	7,464	7,232	-	22,016
Henri Vandermeulen	3,616	4,740	-	-	8,356
Rita Van kerckhoven / BODA SCS	3,126	5,638	-	1,655	10,419
TOTAL	**70,990**	**37,912**	**7,232**	**5,452**	**121,586**

Information on the remuneration that members of the Day-to-Day Management Committee who are also members of the Board of Directors would have received in that capacity

No fixed remuneration or attendance fees were paid to the two members of the Day-to-Day Management committee for the performance of their mandate as directors.

Evaluation criteria based on the performance of the company

Not applicable in view of the non-payment of variable remuneration.

Remuneration of the members of the Day-to-Day Management Committee

The Day-to-Day Management Committee is a collegial body. The company is therefore not led by a CEO in the sense of a sole operational and responsible representative of the enterprise. Nonetheless, in implementation of the provisions of the Corporate Governance Code and the Law on reinforcing corporate governance in listed companies, the individual remuneration of the Chairman of the Day-to-Day Management Committee (Mr Franky Depickere) is disclosed.

Table 7: Remuneration of Day-to-Day Management Committee of KBC Ancora

	fixed	pension**	other***
Day-to-Day Management Committee	138,560	16,567	3,411
of which the Chairman*	126,179	16,567	3,021

* *Mandate exercised on the basis of a self-employment contract.*

** *The pension contributions take the form of fixed contributions to fund a supplementary retirement or survivor's pension.*

*** *Other remuneration comprises the use of a company car or travel allowance, hospitalisation insurance and emergency assistance insurance package.*

Shares, share options and other rights to acquire KBC Ancora shares granted, exercised or lapsed during the year under review, on an individual basis

No shares, share options or other rights to acquire KBC Ancora shares were granted or exercised during or before the year under review.

Provisions on severance packages for the members of the Day-to-Day Management Committee

The terms and conditions governing the employment of members of the Day-to-Day Management Committee are set out in individual employment contracts agreed between Cera and the parties concerned. 20% of the cost price of these contracts (with the exception of the variable remuneration – see above) is passed on to KBC Ancora in the context of the cost-sharing agreement between Cera and KBC Ancora (see *3.3.2.2.1 Costs within the cost-sharing agreement with Cera*). The employment contract agreed with Franky Depickere took effect on 1 September 2006, well before the new Corporate Governance Code and the Law on reinforcing corporate governance in listed companies came into force. It provides for a severance package equivalent to 24 months' fixed remuneration, and the company is bound to meet this contractual obligation should the situation arise. The employment contract agreed with Katelijn Callewaert took effect on 3 August 2016 and provides for a severance package equivalent to 12 months' fixed remuneration.

Information as referred to in Article 14, paragraph 4 of the Law of 2 May 2007 concerning the disclosure of major shareholdings in issuers whose shares have been admitted for trading on a regulated market

Shareholder structure as at 30 June 2017

There is a statutory requirement to disclose participating interests in listed companies of (multiples of) 5%. In addition, KBC Ancora's Articles of Association stipulate disclosure thresholds of 1% and 3%.

On 21 August 2017 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2017 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 41,869,879, or 53.47%, of the total of 78,301,314 KBC Ancora shares.

On 11 October 2016 FMR LLC announced that on 3 October 2016 FMR Co., Inc, a subsidiary of Fidelity Management & Research Company, which is itself a subsidiary of FMR LLC, had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 1,949,702 KBC Ancora shares, equivalent to a participating interest of 2.49%.

On 2 August 2016 Parvus Asset Management Europe Limited, controlled by Edoardo Mercadante, reported that on 27 July 2016 it had exceeded the disclosure threshold of 1% as set in the Articles of Association. As at that date it held 996,102 KBC Ancora shares, equivalent to a participating interest of 1.27%. On 5 July 2017 Parvus Asset Management Europe Limited announced that on 29 June 2017 it had fallen below the (lowest) disclosure threshold of 1% as set in the Articles of Association.

Table 8 summarises the shareholder structure of KBC Ancora based on all notifications received up to and including 31 July 2017.

A detailed summary of all participating interest disclosures may be found on the KBC Ancora website.

Table 8: Shareholder structure of KBC Ancora

Informant	Situation as at	Number of shares	Participating interest
Cera SCRL	30 June 2017	41,869,879	53.47%
FMR Co.	3 October 2016	1,949,702	2.49%
Lansdowne Partners Austria GmbH	10 July 2014	796,477	1.02%
Gino Coorevits/Portus SA	30 October 2009	1,164,510	1.49%

Information as referred to in Article 34 of the Royal Decree of 14 November 2007 concerning the obligations of issuers of financial instruments that are admitted for trading on a regulated market

On 30 June 2017 the capital of KBC Ancora was represented by 78,301,314 shares without nominal value, each representing an equal portion of the capital.

On 21 August 2017 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2017 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 41,869,879, or 53.47%, of the total of 78,301,314 KBC Ancora shares.

KBC Ancora is managed by a statutory manager appointed pursuant to the Articles of Association. At the Extraordinary General Meeting of Shareholders held on 12 January 2001, Almancora Société de gestion was appointed as statutory manager for the duration of the company. The management mandate of the statutory manager may only be terminated with its agreement or by the courts, if there are lawful reasons for doing so. Decisions of the General Meeting which concern the interests of KBC Ancora vis-à-vis third parties, and decisions to amend the Articles of Association,[11] take effect only when and on the condition that the statutory manager gives its consent to this.

11 The statutory attendance and majority requirements as set out in Section 558 ff. of the Belgian Companies Code (Code des sociétés) are applicable.

Holders of securities in which special control rights are vested

None.

Limitations to the exercise of the voting right imposed by the law or the Articles of Association

There are no limitations on the exercise of the voting right. Each share confers the right to one vote.

As statutory manager, Almancora Société de gestion does have a right of veto in respect of all acts that could affect the interests of the company vis-à-vis third parties or which amend the Articles of Association.

Rules governing the appointment and replacement of members of the management body and amendment of the Articles of Association

When the company was established in 2001, Almancora Société de gestion was appointed as the statutory manager by the Articles of Association for an indefinite period. Its mandate may only be terminated on 'legitimate grounds'.

The attendance and majority requirements as set by the law apply for amendments of the Articles of Association. Pursuant to Article 33 of the Articles of Association, a resolution to amend the Articles of Association takes effect only when and if the statutory manager agrees to it.

Powers of the statutory manager in relation to the issue and repurchase of shares

Within the limits and on the conditions as set out in Article 9 of the Articles of Association, Almancora Société de gestion may decide to increase the authorised capital of KBC Ancora without seeking the prior authorisation of the General Meeting of Shareholders.

Almancora Société de gestion is also authorised to acquire or dispose of shares in the company within the limits and on the conditions as set out in Article 10 of the Articles of Association.

3.2.7 Internal control and risk management

Since KBC Ancora is a single-asset holding company whose sole asset is a substantial participating interest in KBC Group, the operational activities of KBC Ancora are fairly limited. KBC Ancora employs no staff. The operational activities are in the hands of joint staff of Cera and KBC Ancora (with costs being charged by Cera to KBC Ancora via the cost-sharing agreement; see *3.3.2.2.1 Costs within the cost-sharing agreement with Cera*).

The budgets are prepared by the Day-to-Day Management Committee and are explained and discussed in the Audit Committee before being submitted for approval to the Board of Directors. The Day-to-Day Management Committee periodically monitors the budgets and submits a report on them to the Audit Committee and the Board of Directors.

The system of internal control and risk management is characterised by the following elements:

- Sufficient information is made available to the Audit Committee to enable the cost of debt as well as the direct operating costs of KBC Ancora to be discussed and monitored in depth;
- The other operating costs are shared costs of KBC Ancora and Cera, which are borne by Cera and which to the extent that they relate to KBC Ancora are subsequently charged on to KBC Ancora. The Audit Committee of Almancora Société de gestion is closely involved in the following aspects of the discussion and monitoring of the budgets relating to the shared costs:

- Organisation of an annual joint meeting of the Audit Committees of Cera Société de gestion and Almancora Société de gestion to discuss the budgets and cost-sharing agreement between Cera and KBC Ancora;
- Discussion of the audit cycle during this joint annual meeting;

- The provision of transparent and regular information to the Audit Committee of Almancora Société de gestion concerning the operational activities and controls in place at Cera, in so far as these are relevant for the cost-sharing agreement between Cera and KBC Ancora;
- Taking cognisance and discussion of the annual audit report by the auditor and of the specific activities of the auditor.

During the year under review, the Audit Committee of Almancora Société de gestion evaluated the adequacy of the present system of internal control and risk management. Based on this evaluation, the Audit Committee judged that there is currently no need to put in place additional control measures or to initiate an internal audit function.

3.2.8 Rotation system

Directors were appointed for a maximum six-year term on the foundation of Almancora Société de gestion in 2001. To ensure the necessary continuity of management, the Articles of Association provided for a rotation system in which a number of directorships lapse every two years. The rotation system is an optional system, which Almancora Société de gestion applies whenever it deems this necessary to ensure the continuity and proper functioning of the Board of Directors. The rotation system was applied for the first time in 2003.

Since then, a sufficient spread has arisen in the expiry dates of the directorships, and application of this optional system has therefore not been necessary.

3.2.9 Code of conduct in respect of conflicts of interest

The statutory provisions concerning potential conflicts of interest with a director or with a major shareholder (Sections 523 and 524 of the Belgian Companies Code (Code des sociétés)) are incorporated and elaborated in Articles 20 and 21 of the Articles of Association. In addition, the Board of Directors of Almancora Société de gestion has formulated rules for dealing with potential conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and of KBC Ancora. These rules are incorporated in the KBC Ancora Corporate Governance Charter.

No incidents occurred in the year under review for which the rules on conflicts of interest with the statutory manager or the rules on conflicts of interest with a major shareholder needed to be applied. There were also no conflicts of interest between directors/members of the Day-to-Day Management Committee of Almancora Société de gestion and KBC Ancora.

3.2.10 Code of conduct to prevent market abuse

The Board of Directors of Almancora Société de gestion has drawn up a code of conduct intended to prevent market abuse. The principles of the code of conduct have been incorporated in the KBC Ancora Corporate Governance Charter.

The code of conduct to prevent market abuse provides among other things for the drawing up of a list of insiders, the setting of annual blackout periods, the reporting of trades by directors and employees involved to the Compliance Officer and the reporting of trades by management to the Belgian Financial Services and Markets Authority (FSMA).

3.2.11 Annual notification pursuant to Article 74, §8 of the law of 1 April 2007 on public takeover bids

The majority of the shares are held by Cera SCRL. On 21 August 2017 Cera reported (pursuant to Article 74 §8 of the law of 1 April 2007 on public takeover bids) that as at 30 June 2017 it (still) held more than 30% of the voting rights in KBC Ancora. Specifically, Cera reported that it held 41,869,879, or 53.47%, of the total of 78,301,314 KBC Ancora shares.

This notification was made with a view to retaining the exemption from the obligation to issue a bid for the entire body of securities with voting rights of KBC Ancora SCA.

3.2.12 Guidelines for the exercise of directorships

The 'Guidelines for directors of Almancora Société de gestion for the exercise of their directorship mandates' form part of the 'Internal Addendum to the KBC Ancora Corporate Governance Charter'. They were most recently updated on 21 December 2007.

The Audit Committee oversees compliance with the 'Guidelines for directors of Almancora Société de gestion for the exercise of their directorship mandates'.

3.2.13 Openness in investor communication

In fulfilling its duty to inform, KBC Ancora focuses on natural communication opportunities at which it not only provides accurate information but also strives to convey that information in a comprehensible manner.

KBC Ancora publishes its periodic financial reports, annual reports and all other information that it is required to make public as a listed company on its website www.kbcancora.be.

This information is disseminated using the usual European media and the KBC Ancora website. In addition, every interested party has the opportunity to subscribe to the KBC Ancora electronic mailing list free of charge via the website.

Since KBC Ancora's principal asset is a major participating interest in KBC Group, specific information – which frequently relates to the underlying group results – can also be found in the KBC Group annual report and website and those of its subsidiaries.

3.3 Declaration concerning results and other information

3.3.1 Balance sheet as at 30 June 2017

KBC Ancora's balance sheet total stood at EUR 3,098.3 million on 30 June 2017, EUR 656.5 million more than in the previous financial year.

3.3.1.1 Assets

The assets consist almost entirely of a substantial participating interest in KBC Group.

The number of KBC Group shares held by KBC Ancora remained unchanged in the year under review.

As at the balance sheet date, KBC Ancora held 77,516,380 KBC Group shares.

KBC Ancora has a participating interest of 18.5% in KBC Group. This qualifies as a participating interest within the meaning of Section 13 of the Belgian Companies Code (Code des sociétés) and is treated as a financial fixed asset for accounting purposes.

Accounting valuation of the KBC Group shares

General

As regards the KBC Group shares, which constitute a financial fixed asset for KBC Ancora, this means that an impairment must be applied in the event of a lasting reduction or depreciation in value, justified by the status, profitability or outlook of the company in which those shares are held (in this case, KBC Group).

These impairments are reversed to the extent that they are higher at the end of the financial year than the amount that is required pursuant to a current assessment of the previously applied impairments.

Application of impairments with effect from 31 March 2009

In the spring of 2009, the Board of Directors of the statutory manager was of the opinion that there had been a lasting reduction or depreciation in the value of the KBC Group shares in portfolio, and that the book value of these shares should be written down. In early 2009 the decision was taken to write down the average book value (at that time) from EUR 46.4 to EUR 31.5 per KBC Group share, an amount that corresponded with the (audited) equity value per KBC Group share as at 31 December 2008 (according to the IFRS rules applying for KBC Group).

Partial reversal of impairments with effect from 30 June 2017

The Board of Directors is of the opinion that the positive developments at the level of KBC Group warrant a reappraisal of the impairments applied in the past. For reasons of consistency, it has been decided to apply the same criterion as when the impairments were applied, namely the (underlying) IFRS equity value per KBC Group share. As at 30 June 2017, this value amounted to EUR 39.84 per KBC Group share.

The weighted average initial book value of the 77.5 million KBC Group shares held in portfolio by KBC Ancora was EUR 46.44 per share. Since 31 March 2009 the net asset value of these KBC Group shares has stood at EUR 31.50.

As the equity value per KBC Group share stood at EUR 39.84 on 30 June 2017, it was decided on 31 August 2017 that the impairments previously applied to the KBC Group shares should be partially reversed on the balance sheet date, resulting in a net book value after this partial reversal of EUR 39.84 per share as at the balance sheet date.

This generates a non-recurring result of EUR 646.5 million for the year under review. The outstanding impairments amount to a total of EUR 511.7 million.

The trend in the equity per KBC Group share and the stock market price of the KBC Group share since 2009 is presented in the following charts.

Chart 7: Trend in equity per KBC Group share (quarterly)

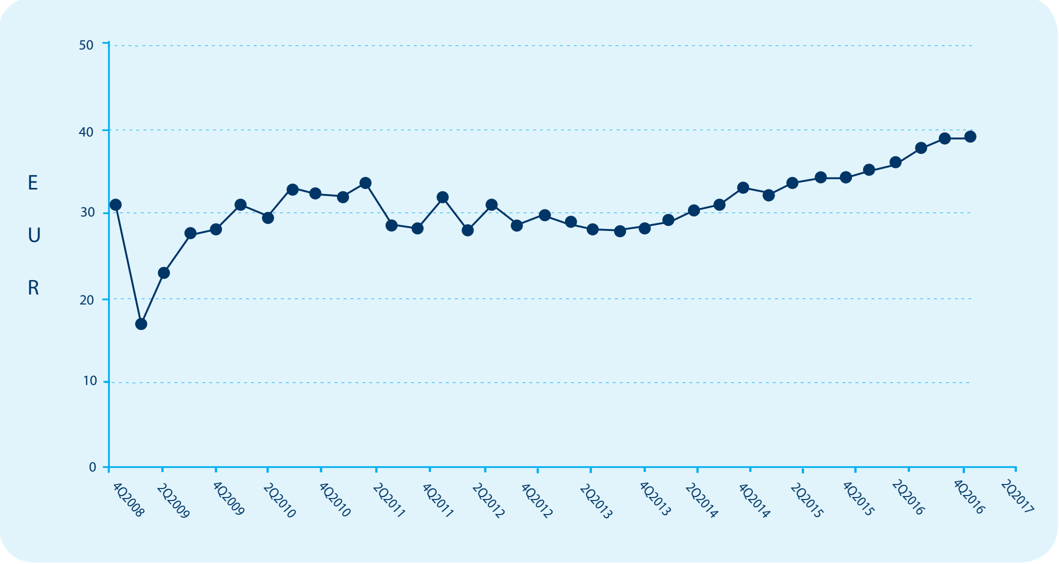
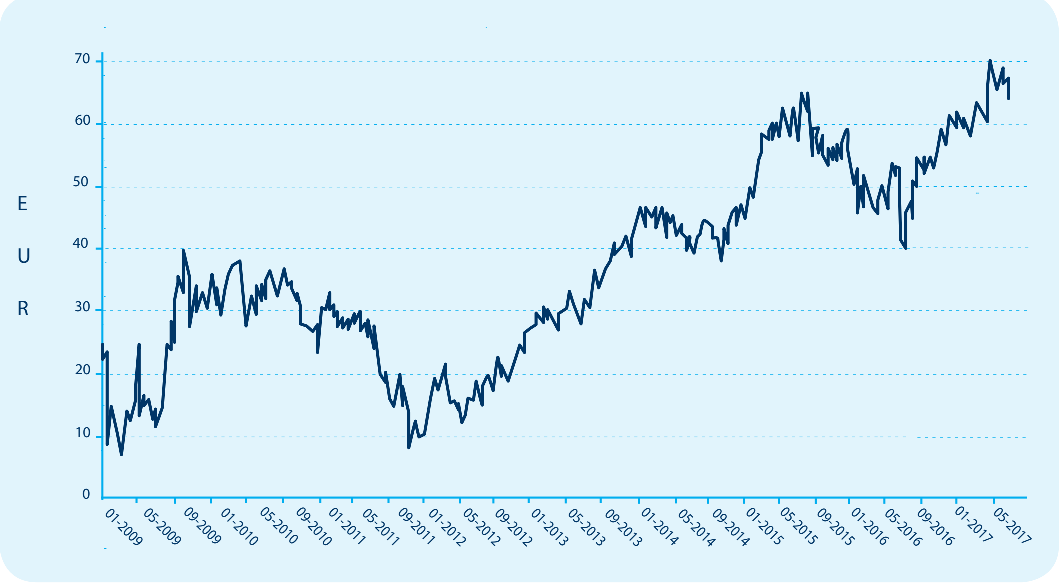


Chart 8: Trend in KBC Group share price (daily)



As regards the liquidity position of KBC Ancora, it should be noted that KBC Ancora's recurring income consists principally of dividend it receives from its participating interest in KBC Group.

In the event that KBC Ancora does not receive a dividend from its participating interest in KBC Group in any given year, KBC Ancora will itself not pay a dividend in that year. If KBC Ancora once again receives KBC Group dividend in a subsequent financial year, its carried-forward result will be taken into account when determining the profit available for distribution.

During the Investor Event held in Ireland in June 2017, KBC Group reaffirmed its intention of aiming for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit. This will include payment of an interim dividend of EUR 1.00 per share on 17 November 2017, with the balance being distributed after the KBC Group General Meeting.

In addition to its participating interest in KBC Group, KBC Ancora held current assets of EUR 10.1 million on the balance sheet date, consisting almost entirely of cash at bank and in hand.

3.3.1.2 Liabilities

Capital and reserves amounted to EUR 2,721.6 million, an increase of EUR 676.4 million, or 33.1%, compared with the previous financial year.

The issued capital amounts to EUR 2,021.9 million.

The legal reserve amounted to EUR 48.7 million at year-end, an increase of EUR 41.2 million.

The unavailable reserves totalled EUR 650.1 million. On the one hand, the unavailable reserves were formed in the financial years 2013/2014 and 2014/2015 in order to neutralise the impact of the partial reversal of the substantial impairment applied on 31 March 2009 (amounting to EUR 35.955 million) following the sale of 4.7 million KBC Group shares in November 2013 on KBC Ancora's ability to distribute dividends. On the other hand, impairments applied earlier to the KBC shares in portfolio were reversed by an amount of EUR 646.5 million in the year under review. The impact of this non-recurring result on KBC Ancora's ability to pay dividends was neutralised by adding 95% of this result (EUR 614.2 million) to the unavailable reserves and by including the remaining 5% (EUR 32.3 million) in the increase in the legal reserve. Like the legal reserve, the amount of the available reserves is not taken into account in calculating any dividend to be distributed by KBC Ancora.

A limited amount of EUR 1.0 million will be carried forward to the next financial year.

Amounts owed to credit institutions reduced by EUR 19.6 million to EUR 375.0 million. These amounts relate to long-term liabilities in the form of long-term loans carrying fixed rates of interest, with repayment dates in 2019 (EUR 175 million), 2022 (EUR 100 million) and 2027 (EUR 100 million).

Collateral was provided in the form of a pledge on KBC Group shares. In total, KBC Ancora pledged 25.7 million KBC Group shares. The pledge relates to long-term liabilities totalling EUR 375 million.

Other amounts falling due within one year amounted to EUR 0.2 million.

Accruals and deferrals on the liabilities side of the balance sheet (EUR 1.4 million) relate to interest charges recognised on a pro rata basis.

3.3.2 Profit and loss account for the financial year 2016/2017

Given the nature of KBC Ancora's operations, the same profit and loss account scheme has been used as was customary for portfolio companies[12].

KBC Ancora recorded a profit for the financial year 2016/2017 of EUR 843.2 million, equivalent to EUR 10.77 per share.

3.3.2.1 Income

KBC Ancora generated income of EUR 863.6 million in the year under review.

Table 9 summarises the movements in the various income categories within KBC Ancora in recent financial years.

Table 9: Trend in KBC Ancora income

(x EUR million)	Financial year 2016/2017	Financial year 2015/2016	Financial year 2014/2015
Income from financial fixed assets	217.0	0.0	155.0
Reversal of impairments of financial fixed assets	646.5	0.0	0.0
Other income	0.1	0.1	0.2
TOTAL	**863.6**	**0.1**	**155.2**

3.3.2.1.1 Income from financial fixed assets

KBC Group distributed a total dividend of EUR 2.80 per share in respect of the financial year 2016. An interim dividend of EUR 1.00 per share was distributed in November 2016, followed by payment of a final dividend of EUR 1.80 per share in May 2017. KBC Ancora consequently received dividend income totalling EUR 217 million. KBC Ancora did not receive a dividend from its participating interest in KBC Group in the previous financial year.

3.3.2.1.2 Reversal of impairments of financial fixed assets

As stated in the description of the assets, the Board of Directors decided to effect a partial reversal of earlier impairments of the participating interest in KBC Group. By increasing the net book value of the 77,516,380 KBC Group shares from EUR 31.5 per share to EUR 39.84 per share, KBC Ancora realised non-recurring income of EUR 646.5 million.

3.3.2.1.3 Other income

Other income amounted to EUR 0.1 million.

3.3.2.2 Expenses

KBC Ancora's total costs in the year under review amounted to EUR 20.4 million, or EUR 0.26 per share, EUR 0.7 million less than in the previous financial year.

12 On 29 October 2004 KBC Ancora obtained the permission of the competent minister to continue using the non-consolidated financial statements as formerly included as an annex to the Royal Decree of 1 September 1986 concerning portfolio companies.

Table 10 summarises the movements in the various cost categories in recent financial years.

Table 10: Trend in KBC Ancora costs

(x EUR million)	Financial year 2016/2017	Financial year 2015/2016	Financial year 2014/2015
Costs of cost-sharing agreement	1,6	1,7	1,6
Cost of debt	18,1	18,8	19,2
Other operating costs	0,7	0,5	0,7
Taxes	0,0	0,0	0,0
TOTAL	**20,4**	**21,1**	**21,5**

3.3.2.2.1 Costs within the cost-sharing agreement with Cera

KBC Ancora entered into a cost-sharing agreement with Cera in 2001 in order to enhance the cost-efficiency of both parties' operations. A budget is drawn up annually, setting out the different costs within the cost-sharing agreement. KBC Ancora reimburses Cera for part of these budgeted costs every quarter on a pro rata basis. Settlement then occurs at the end of each calendar year based on the actual costs.

The costs in connection with the cost-sharing agreement amounted to EUR 1.6 million in the year under review, EUR 0.1 million less than in the previous financial year.

Table 11 summarises the various cost categories within the cost-sharing agreement with Cera and the cost allocation percentage as this has been applied since 1 January 2016.

Table 11: Costs within the cost-sharing agreement with Cera

Cost-sharing agreement	Cost allocation percentage	Amount (x EUR million)
Administration/management/advice	20%	0.49
Communications	20%	0.15
Financial Unit	50%	0.35
Membership and capital administration	5%	0.06
Support	20%	0.54
TOTAL		**1.59**

3.3.2.2.2 Cost of debt

The cost of debt amounted to EUR 18.1 million in the year under review, EUR 0.7 million less than in the previous financial year. The cost of debt is determined almost entirely by the interest payable on the long-term loans taken out with credit institutions.

3.3.2.2.3 Other operating costs

Other operating costs amounted to EUR 0.7 million, EUR 0.2 million more than in the previous financial year. These costs related among other things to listing fees, management costs and costs of financial services.

3.3.2.2.4 Taxes

KBC Ancora has no corporation tax liability in respect of the year under review.

3.3.3 Result and proposed profit appropriation

After set-off of the loss carried forward from the previous financial year (EUR 20.2 million), the result available for appropriation amounted to EUR 823 million. The following appropriation of profit will be proposed to the General Meeting of Shareholders to be held on 27 October 2017:

- addition of EUR 41.2 million (5% of the result available for appropriation) to the legal reserve;
- addition of EUR 614.2 million to the unavailable reserves in order to neutralise the impact of the non-recurring result of EUR 646.5 million stemming from the reversal of impairments on KBC Ancora's ability to pay dividends. This amount represents 95% of the non-recurring result. The remaining 5% of the reversal of impairments is included in the increase in the legal reserve;
- distribution of a dividend of EUR 166.8 million (EUR 2.13 per share), which was paid to shareholders as an interim dividend on 8 June 2017;
- carry-forward of the balance of EUR 1.0 million, or EUR 0.01 per share, to the next financial year.

3.3.4 Legal proceedings

Four KBC Ancora shareholders filed a minority claim in December 2008 against the statutory manager of KBC Ancora and against Cera. The plaintiffs contested the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the splitting of the KBC Ancora share. The plaintiffs also contested the purchase of 3.9 million KBC Group shares by KBC Ancora which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007. The main objective of their claim was that the defendants should acquire the purchased shares at the acquisition price.

On 24 October 2012, the Court of First Instance in Leuven dismissed the claims of the plaintiffs in their entirety.

The plaintiffs lodged an appeal against this ruling on 13 March 2013. They have since slightly modified the subject of their claim to take account of the sale of 4.7 million KBC Group shares by KBC Ancora in November 2013.

The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

3.3.5 Additional information

No material events occurred after the balance sheet date.

No activities were carried out in the area of research and development.

The company has no branch offices.

KBC Ancora's principal asset is a participating interest in KBC Group. The value of KBC Ancora's assets, as well as its holdings of cash instruments and its results, are dependent on developments relating to the KBC group.

3.3.6 No consolidated financial statements for KBC Ancora

KBC Ancora has only one equity holding in another company, namely its participating interest in KBC Group. KBC Ancora has no control over that company, either in law or in practice. Consequently, KBC Ancora is not obliged to produce consolidated financial statements.

KBC Ancora shareholders who are interested can however find additional useful information in KBC Group's consolidated annual report, which may be found on the KBC Group website (www.kbc.com). The annual report may also be requested from: KBC Group SA, Investor Relations, Havenlaan 2 SEE, 1080 Brussels, or by e-mail from investor.relations@kbc.com.

3.3.7 Financial year 2016 and available information for 2017 on KBC Group

3.3.7.1 Past financial year of KBC Group

KBC Group's most recent financial year (2016) was discussed in the financial press release on the financial year 2016 and in its last annual report. The main financial highlights are set out below.

The net result for the financial year 2016 amounted to EUR 2,427 million, compared with a net profit of EUR 2,639 million in 2015.

Net interest income

Net interest income amounted to EUR 4,258 million in 2016, down just 1% on its year-earlier level, despite the climate of low interest rates and associated low level of reinvestment income, the reduction in interest income generated by the dealing rooms and a lower amount of early-repayment penalties (due to a lower level of home loan refinancing in Belgium). These negative items were largely offset by factors including the positive effect of lower rates of interest being paid on savings accounts in certain countries, generally lower funding costs and higher interest income on loans generated by increased volumes.

At EUR 133 billion, loans and advances to customers (excluding reverse repos) rose on a comparable basis by 4% in 2016, increasing by 4% at the Belgium Business Unit, by 9% at the Czech Republic Business Unit and by 2% at the International Markets Business Unit (growth in all countries apart from Ireland), and contracting at the Group Centre. The total volume of deposits

(EUR 177 billion in deposits from customers and debt securities (excluding repos)) rose by 10% in 2016, with the Belgium Business Unit recording an increase of 13%, the Czech Republic Business Unit 9%, the International Markets Business Unit 7% (with growth in all countries apart from Ireland) and the Group Centre recording a decline.

Consequently, the net interest margin for the banking activities came to 1.92%, 10 basis points lower than in 2015. The interest margin for 2016 came to 1.80% in Belgium, 2.94% in the Czech Republic and 2.55% at the International Markets Business Unit.

Net fee and commission income

Net fee and commission income came to EUR 1,450 million in 2016, down 14% on the year-earlier figure. Most of the decline was accounted for by Belgium and was chiefly attributable to reduced entry and management fees relating to asset management activities (sale of funds, etc., obviously reflecting the uncertain investment climate) and, to a lesser extent, to lower securities-related fees.

At the end of 2016, total assets under management came to approximately EUR 213 billion, still up 2% on the year-earlier figure, due to a combination of a slightly negative

volume effect (-1%) and a positive price performance (+3%). Most of these assets were managed at the Belgium Business Unit (EUR 199 billion) and the Czech Republic Business Unit (EUR 9 billion).

Insurance premiums and technical charges

The technical insurance result (earned premiums less technical charges plus the ceded reinsurance result) amounted to EUR 438 million, up 15% on its year-earlier level.

Earned premiums in non-life insurance came to EUR 1,410 million, 7% more than the figure for 2015. They grew by 2% in Belgium (or 5% excluding a technical item), 8% in the Czech Republic, and 17% in the three other Central and Eastern European markets combined (due primarily to growth in Hungary). However, technical insurance charges also rose by 10% in 2016. They were adversely affected in Belgium by provisioning of EUR 16 million in the aftermath of the terrorist attacks in Brussels and increased claims due to severe weather (storms). The combined ratio at group level deteriorated slightly from 91% to 93%.

Earned premiums in life insurance amounted to EUR 1,577 million in 2016. However, in compliance with IFRS, certain types of life insurance (i.e. unit-linked products) have been excluded from this figure. If the premium income from such products is included, premium income from the life insurance business totalled around EUR 2.1 billion, 18% more than in 2015. There was an increase of as much as 21% in the main market of Belgium for both rate-guaranteed (+24%) and unit-linked products (+14%). For the group as a whole, products offering guaranteed rates accounted for just over 60% of premium income from the life insurance business in 2016, and unit-linked products for almost 40%. On 31 December 2016, the group's accumulated life reserves came to EUR 26.9 billion for the Belgium Business Unit, EUR 1 billion for the Czech Republic and EUR 0.6 billion for the three other Central and Eastern European core markets combined.

Other income

The net result from financial instruments at fair value through profit or loss (trading and fair value income) came to EUR 540 million, EUR 326 million more than in 2015, due in part to the liquidation of KBC Financial Holding Inc., which had an impact of EUR -156 million in that year. Disregarding this item, trading and fair value income would increase by EUR 170 million, due primarily to higher dealing room results and the positive impact of various value adjustments.

Other income (dividends, gains realised on the sale of securities, and other net income) came to an aggregate EUR 524 million in 2016, as opposed to EUR 562 million in 2015. The figure for 2016 includes the gain on the sale of Visa Europe shares in the second quarter of that year (EUR 99 million, before tax)

Operating expenses

Expenses amounted to EUR 3,948 million in 2016, a limited increase of 1% on the year-earlier figure. This reflected the impact of various factors, including somewhat higher special bank taxes (EUR 437 million in total, compared to EUR 417 million in 2015), higher ICT expenses and, to a lesser extent, higher marketing costs, and higher staff expenses (including a one-off cost of EUR 33 million to cover a voluntary early retirement scheme), offset somewhat by lower facility services charges and depreciation.

As a result, the cost/income ratio of the banking activities came to 55%, the same level as in 2015. The ratio was affected by a number of non-operating and exceptional items (including the mark-to-market valuations for ALM derivatives and the impact of liquidating KBC Financial Holding Inc. in 2015).

Adjusted for these specific items, the cost/income ratio was 57%, compared with 55% in 2015. The ratio was 54% for the Belgium Business Unit (55% excluding specific items), 45% for the Czech Republic Business Unit (46% excluding specific items) and 64% for the International Markets Business Unit (66% excluding specific items).

Impairment

Total impairment came to EUR 201 million in 2016. Impairment on loans and receivables accounted for EUR 126 million of this figure, compared with EUR 323 million in 2015. Much of this improvement is attributable to the improved situation in Ireland, where there was actually an EUR 45 million net reversal of impairment charges in 2016 (as opposed to net provisioning of EUR 48 million in 2015) and to Belgium (from EUR 177 million to EUR 113 million). Overall, the group's credit cost ratio improved further from what was an already low 23 basis points in 2015 to an unsustainably low 9 basis points in 2016. The figures per business unit were 12 basis points for Belgium, 11 basis points for the Czech Republic and -16 basis points for International Markets (Ireland: -33 basis points; Slovakia: 24 basis points; Hungary: -33 basis points; and Bulgaria: 32 basis points). A negative figure signifies a net reversal of impairments and hence a positive impact on the results.

The proportion of impaired loans in the loan portfolio was 7.2% at year-end 2016, an improvement on the 8.6% for 2015. This breaks down into 3.3% at the Belgium Business Unit, 2.8% at the Czech Republic Business Unit and 25.4% at the International Markets Business Unit (this relatively high figure was chiefly attributable to Ireland, which had a ratio of 43% due to the real estate crisis of recent years). The proportion of impaired loans more than 90 days past due came to 3.9% in 2015, compared to the year-earlier figure of 4.8%. At year-end 2016, 46% of the impaired loans were covered by accumulated impairment charges.

Other impairment charges totalled EUR 75 million in 2016 and related primarily to available-for-sale securities (EUR 55 million). This item had amounted to EUR 423 million in 2015, when it comprised mainly impairment charges on goodwill in respect of a number of group companies (EUR 344 million).

Income tax expense

The group's income tax expense came to EUR 662 million in 2016. This item had made a positive contribution of EUR 104 million in 2015, due to the impact (EUR 921 million) of a Deferred tax asset relating to the liquidation of a group company (KBC Financial Holding Inc.).

Besides income tax, KBC Group also pays special bank taxes (EUR 437 million in 2016, included under 'Operating expenses').

Net results per business unit

The net result in 2016 breaks down as follows: Belgium Business Unit EUR 1,432 million (down EUR 132 million on the year-earlier figure, as lower net interest income and net fee and commission income, lower realised gains on securities and higher bank taxes were only partially offset by lower loan losses, higher technical insurance income and higher trading and fair value income); the Czech Republic Business Unit EUR 596 million (an increase of EUR 54 million, due in part to higher trading and fair value income and realised gains on securities, and slightly lower costs and impairment); the International Markets Business Unit EUR 428 million (an improvement of EUR 183 million, owing primarily to lower loan loss provisioning and higher net interest income in Ireland); and the Group Centre EUR -29 million (an EUR 316 million deterioration that can be attributed to two significant items in 2015 (the recognition of the deferred tax asset related to KBC Financial Holding Inc. and impairment on goodwill for a number of group companies).

Total assets

At the end of 2016, the group's consolidated total assets came to EUR 275 billion, up 9% year-on-year. However, risk-weighted assets (Basel III, fully loaded) declined by 1% to EUR 88 billion, with the increased volumes being comfortably offset by the impact of model-related changes, an improvement in average loan quality, lower risk-weighted assets for deferred tax assets and lower market exposure, and several other items.

Loans and deposits

The group's core banking business is to attract deposits and use them to provide loans. Indeed, this is reflected in the importance of the figure for loans and advances to customers on the assets side of the balance sheet (EUR 133 billion (excluding reverse repos) at year-end 2016). On a comparable basis, loans and advances to customers rose by 4% for the group as a whole, with growth of 4% being recorded at the Belgium Business Unit, 9% at the Czech Republic Business

Unit, and 2% at the International Markets Business Unit (with growth in all countries apart from Ireland, where the reduction in corporate lending and impaired mortgage loans – on balance – continues to surpass new production). The main lending products at group level were again term loans (EUR 59 billion) and mortgage loans (EUR 57 billion). The latter expanded by 4% in 2016, due primarily to the Czech Republic, Slovakia and Belgium.

On the liabilities side, customer deposits (deposits from customers and debt securities, excluding repos) grew by 10% to EUR 177 billion. Deposits increased by 13% at the Belgium Business Unit, by 9% at the Czech Republic Business Unit and by 7% at the International Markets Business Unit (with growth in all countries apart from Ireland, where there was increased intra-group use of the TLTRO facility). The main deposit products at group level (including repos) were again time deposits (EUR 22 billion), demand deposits (EUR 63 billion) and savings accounts (EUR 53 billion, up 6% on their level at the end of 2015), due in part to the parking of funds from matured time deposits, given the volatile investment climate).

Securities

KBC Group holds a portfolio of securities at the bank and at the insurer (where it serves primarily as an investment in the insurance context, especially life insurance), which totalled roughly EUR 73 billion at year-end 2016. Approximately 30% of the portfolio relates to the insurance activities and some 70% to the banking activities. The total securities portfolio comprised 3% shares and 97% bonds (with bonds increasing by almost EUR 1 billion in 2016). Just over three-quarters of these bonds at year-end 2016 consisted of government paper, the most important being Belgian, Czech, French, Spanish, Slovak, Hungarian and Italian.

Other assets and other liabilities

Other important items on the assets side of the balance sheet were loans and advances to credit institutions and investment firms (EUR 17 billion, up 28% year-on-year, due in part to higher reverse repos), derivatives (positive mark-to-market valuation of EUR 9 billion mainly for interest rate contracts, virtually unchanged year-on-year), investment-linked life insurance contracts (EUR 14 billion, up 3% year-on-year) and cash and cash balances with central banks (EUR 20 billion, EUR 13 billion more than at year-end 2015, owing to the placement of excess liquidity with the central bank).

Other significant items on the liabilities side of the balance sheet were the technical provisions and liabilities under the insurer's investment contracts (an aggregate EUR 32 billion, roughly the same year-on-year), derivatives (negative mark-to-market valuation of EUR 9 billion mainly for interest rate contracts, down 7% year-on-year) and deposits from credit institutions and investment firms (EUR 32 billion, up EUR 13 billion year-on-year and relating primarily to repos and the TLTRO II facility).

Equity

On 31 December 2016, the group's total equity came to EUR 17.4 billion. This figure included EUR 16 billion in parent shareholders' equity and EUR 1.4 billion in additional tier-1 instruments. Total equity rose by EUR 1.5 billion in 2016, With the most important components in this respect being the inclusion of the annual profit (EUR +2.4 billion), the payment of an interim dividend in November 2016 (EUR -0.4 billion, as an advance on the total dividend for 2016), changes in the cashflow hedge reserve (EUR -0.2 billion), changes in defined benefit plans (EUR -0.2 billion) and several smaller items.

The group's solvency position remained strong as a result, with a common equity ratio of 15.8% (fully loaded) according to the Danish compromise method and 14.5% (fully loaded) according to the FICOD method. The leverage ratio came to an excellent 6.1%.

The group's liquidity position also remained excellent, as reflected in an LCR ratio of 139% and an NSFR ratio of 125% at year-end 2016.

The profit figures and key ratios in *Table 12* give an impression of the result of KBC Group in the financial year 2016 and a comparison with the financial year 2015.

Table 12: Profit figures and key ratios of KBC Group for the financial years 2016 and 2015

(x EUR million)	2016	2015
Net group profit	**2,427**	**2,639**
Belgium	*1,432*	*1,564*
Czech Republic	*596*	*542*
International Markets (Slovakia, Hungary, Bulgaria, Ireland)	*428*	*245*
Group Centre	*-29*	*287*
Shareholders' equity per share (in EUR)	**38.1**	**34.5**
Net earnings per share (in EUR)	**5.68**	**3.80**
Dividend per share (in EUR)	**2.8**	**0.00**
Return on equity	**18%**	**22%**
Cost/income ratio, banking activities	**55%**	**55%**
Credit cost ratio, banking activities	**0.09%**	**0.23%**
Combined ratio, non-life insurance	**93%**	**91%**
Common equity ratio of the group (CET1; Basel III, fully loaded, Danish compromise method)	**15.8%**	**14.9%**
Leverage ratio (Basel III, fully loaded)	**6.1%**	**6.3%**
Net stable funding ratio (NSFR)	**125%**	**121%**
Liquidity coverage ratio (LCR)	**139%**	**127%**

3.3.7.2 First half of KBC Group's financial year 2017

KBC Group published its results for the first half of 2017 on 10 August 2017. The financial highlights are presented below.
The net result for the first half of 2017 amounted to EUR 1,485 million, compared to EUR 1,113 million in 1H2016.

Compared to the first half of 2016, the result for the first six months of 2017 was characterised by:

- Somewhat lower **net interest income** (-4% to EUR 2,052 million). On a comparable basis, the volume of deposits increased (+8%), as did the volume of lending (+4%). The net interest margin in 1H2017 came to 1.87% (1.95% in 1H2016).

- A higher contribution made by the **technical insurance result** (+57% to EUR 301 million), due especially to the non-life insurance activities, where premium income rose and claims fell (1H2016 had included the effect of the Brussels terrorist attacks and the bad weather conditions). The resulting year-to-date non-life combined ratio stood at an exceptionally good 84%. Life insurance sales were down by 22%, mainly on account of a decrease in the sale of interest-guaranteed products.
- Significantly higher **net fee and commission income** (+23% to EUR 869 million), attributable primarily to the asset management services. At the end of June 2017, total assets under management stood at EUR 215 billion, a year-on-year increase of 4%, thanks to a positive price performance
- A higher level of all **other income** items combined (EUR 704 million). This included a significantly higher net result from financial instruments at fair value (+78% to EUR 439 million), lower net realised gains from available-for-sale assets (-38% to EUR 97 million, since the reference period had included the gain on the sale of Visa Europe shares), somewhat lower dividend income (-4% to EUR 44 million) and an increase in other net income (+26% to EUR 124 million).
- Slightly higher **operating expenses** (+2% to EUR 2,139 million), owing basically to higher staff costs (wage drift and pension expenses), increased ICT costs and higher professional fees. As a result, the year-to-date cost/income ratio came to 56%, or an adjusted 53% when the bank taxes are evenly spread throughout the year and certain non-operating items are excluded.
- Significantly lower **loan loss impairment** (from a net addition of EUR 54 million in 1H2016 to a net release of EUR 72 million in 1H2017). As a result, the annualised credit cost ratio for the whole group stood at an excellent -0.10% (a negative figure indicates a positive impact on the results).

Table 13 compares the trend in profits in the various KBC Group Business Units in the first half of 2017 with the same period in 2016.

Table 13: KBC Group profits in the first half of the financial years 2017 and 2016

(x EUR million)	**1H2017**	**1H2016**
Net group profit	**1,485**	**1,113**
Belgium	*785*	*579*
Czech Republic	*364*	*320*
International Markets	*292*	*183*
Group Centre	*45*	*31*
Equity per share (in EUR)	**39.8**	**35.5**
Net earnings per share (in EUR)	**3.49**	**2.60**
Return on equity	**20%**	**17%**
Cost/income ratio, banking activities	**56%**	**59%**
Credit cost ratio, banking activities	**-0.10%**	**0.07%**
Combined ratio, non-life insurance	**84%**	**95%**
Common equity ratio according to Basel III (CET1; Basel III, fully loaded, Danish compromise method)	**15.7%**	**14.9%**
Leverage ratio (Basel III, fully loaded)	**5.7%**	**6.0%**
Net stable funding ratio (NSFR)	**130%**	**123%**
Liquidity coverage ratio (LCR)	**141%**	**132%**

3.3.8 Outlook for the financial year 2017/2018

Income

KBC Ancora's income consists of the dividend it receives from its participating interest in KBC Group. Forecasts of KBC Group's future dividend rely heavily on factors such as the projection of KBC Group's future earnings.

KBC Group published its interim results on 10 August 2017, showing a net result of EUR 1,485 million in the first six months of 2017, compared with EUR 1,113 million in the same period a year earlier. The interim result is discussed in more detail in the previous section of this report.

During the Investor Event held in Ireland in June 2017, KBC Group reaffirmed its intention of aiming for a dividend payout ratio (including the coupon on the outstanding Additional Tier-1 instruments) of at least 50% of the consolidated profit. Barring exceptional or unforeseen circumstances, KBC Group will distribute an interim dividend of EUR 1.00 per share in November each year, followed by a final dividend after the Annual General Meeting of Shareholders. The interim dividend will serve as an advance payment on the total dividend. In its press release dated 10 August 2017, KBC Group confirmed that it would be paying an interim dividend of EUR 1.00 to shareholders on 17 November 2017.

Expenses

Costs within the cost-sharing agreement with Cera are expected to amount to approximately EUR 1.8 million.

The total interest charge for the financial year 2017/2018 is estimated at approximately EUR 15.5 million.

Other operating costs are likely to be around EUR 0.8 million.

It is likely that that KBC Ancora will have no corporation tax liability in the financial year 2017/2018.

Result

The interim dividend to be paid by KBC Group on 17 November 2017 (EUR 1.00 per share) will exceed KBC Ancora's projected costs for the financial year 2017/2018. As a consequence, KBC Ancora will close the financial year 2017/2018 with a positive result for appropriation. KBC Ancora intends to distribute an (interim) dividend in early June 2018.

FINANCIAL REPORT

3.4 Financial report

3.4.1 Balance sheet

Balance sheet after appropriation of result

(in EUR)	Notes	30 June 2017	30 June 2016
ASSETS		**3,098,302,862**	**2,441,801,181**
Fixed assets		**3,088,252,579**	**2,441,765,970**
Financial fixed assets	6.4/ 6.5.1	3,088,252,579	2,441,765,970
Companies with which there is a participatory relationship	6.14	3,088,252,579	2,441,765,970
Participating interests		3,088,252,579	2,441,765,970
Current assets		**10,050,283**	**35,211**
Receivables due within one year		20,344	29,089
Trade receivables		20,344	29,089
Cash at bank and in hand		10,024,651	71
Prepayments and accrued income	6.6	5,288	6,050

(in EUR)	Notes	30 June 2017	30 June 2016
LIABILITIES		**3,098,302,862**	**2,441,801,181**
Equity		**2,721,631,838**	**2,045,205,969**
Capital	6.7.1	2,021,871,293	2,021,871,293
Issued capital		2,021,871,293	2,021,871,293
Reserves		698,810,181	43,495,563
Legal reserve		48,692,902	7,540,563
Unavailable reserves		650,117,279	35,955,000
Profit (loss) carried forward		950,364	-20,160,886
Creditors		**376,671,024**	**396,595,212**
Amounts falling due after more than one year	6.9	375,000,000	375,000,000
Financial liabilities		375,000,000	375,000,000
Credit institutions		375,000,000	375,000,000
Amounts falling due within one year	6.9	239,406	19,883,080
Financial liabilities		0	19,662,474
Credit institutions		0	19,662,474
Trade creditors		166,399	150,596
Suppliers		166,399	150,596
Liabilities in respect of taxes, remuneration and social security costs	6.9	0	0
Taxes		0	0
Other creditors		73,007	70,010
Accruals and deferred income	6.9	1,431,618	1,712,132

3.4.2 Profit and loss account

(in EUR)	Notes	30 June 2017	30 June 2016
RESULTS		**843,207,667**	**-20,986,795**
Expenses		**20,422,722**	**21,085,544**
Cost of debt	6.11	18,131,518	18,832,586
Other financial expenses		0	100
Services and sundry goods		2,289,917	2,251,576
Miscellaneous current expenses	6.10	1,287	1,282
Income		**863,630,389**	**98,750**
Income from financial fixed assets		217,045,864	0
Dividend		217,045,864	0
Income from current assets		0	0
Other financial income	6.11	1	0
Other current revenues	6.10	97,915	98,750
Reversal of impairments of financial fixed assets*	6.12	646,486,609	0
Treatment of results			
Profit (loss) balance to be appropriated		823,046,781	-20,160,886
Profit (loss) to be appropriated for the year		843,207,667	-20,986,795
Profit (loss) brought forward from previous financial year		-20,160,886	825,908
Addition to capital and reserves		655,314,618	0
Addition to legal reserve		41,152,339	0
Addition to unavailable reserves		614,162,279	0
Profit (loss) to be carried forward		950,364	-20,160,886
Profit (loss) to be carried forward		950,364	-20,160,886
Profit to be distributed		166,781,799	0
Capital remuneration		166,781,799	0

* In the notes to the financial statements this is included under 'Non-recurring income'.

3.4.3 Notes

STATEMENT OF ASSETS

COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP – PARTICIPATING INTERESTS AND SHARES (6.4.2)

Acquisition value at end of previous year	3,599,978,772
Movements during the year	
Acquisitions	0
Transfers and decommissioning	0
Acquisition value at end of year	3,599,978,772
Impairment as at end of previous year	1,158,212,802
Movements during the yea	
Reversals	646,486,609
Impairment as at end of financial year	511,726,193
NET BOOK VALUE AT END OF YEAR	3,088,252,579

NOTES ON THE PARTICIPATING INTERESTS (6.5.1)
PARTICIPATING INTERESTS AND OWNERSHIP RIGHTS IN OTHER COMPANIES AMOUNTING TO AT LEAST 10% OF THE ISSUED CAPITAL

Name, address and company number	Ownership rights held by				Data drawn from most recently available financial statements		
	Form	Directly		Subsidiaries	Financial statements as at	Equity	Net profit
		Number	%	%		(+) of (-) (in EUR)	
KBC Group SA (consolidated) Havenlaan 2 1080 Brussels 8 Belgium BE 0403.227.515	Ordinary shares	77,516,380	18.53	0.00	31.12.2016	15,957,194,271	2,427,302,680

STATEMENT OF CAPITAL AND SHAREHOLDER STRUCTURE (6.7.1)

STATEMENT OF CAPITAL

Issued capital		
- at end of previous financial year		2,021,871,293
- at end of financial year		2,021,871,293
	Amount	**Number of shares**
Capital composition		
Types of shares		
Ordinary shares	2,021,871,293	78,301,314
Registered		39,804,286
Dematerialised shares		38,497,028

SHAREHOLDER STRUCTURE OF THE COMPANY AT YEAR-END ACCORDING TO NOTIFICATIONS RECEIVED BY THE COMPANY (6.7.2)

Cera SCRL: 53.47%
OBA notification dated 21 August 2017 – shareholdership as at 30 June 2017

FMR LLC: 2.49%
Transparency report dated 11 October 2016 – shareholdership as at 3 October 2016

Lansdowne Partners Austria GmbH/Lansdowne Partners International Limited: 1.02%
Transparency report dated 16 July 2014 – shareholdership as at 10 July 2014

Gino Coorevits/Portus NV: 1.49%
Transparency report dated 9 December 2009 – shareholdership as at 30 October 2009

STATEMENT OF LIABILITIES, ACCRUALS AND DEFERRED INCOME (LIABILITIES) (6.9)

SPECIFICATION OF LIABILITIES WITH AN ORIGINAL TERM OF MORE THAN ONE YEAR, BY REMAINING TERM

	Financial year
Liabilities with a remaining term of between one and five years	
Financial liabilities	275,000,000
Credit institutions	275,000,000
Total liabilities with a remaining term of between one and five years	**275,000,000**
Liabilities with a remaining term of more than five years	
Financial liabilities	100,000,000
Credit institutions	100,000,000
Total liabilities with a remaining term of more than five years	**100,000,000**

SECURED LIABILITIES

Liabilities secured on collateral pledged or irrevocably committed on assets of the company	
Financial liabilities	375,000,000
Credit institutions	375,000,000
Total liabilities secured on collateral pledged or irrevocably committed on assets of the company	**375,000,000**

ACCRUALS AND DEFERRED INCOME

Analysis of item 492/3 of the Liabilities, if a substantial amount falls into that category

	Financial year
Attributable interest	1,431,618

OPERATING RESULTS (6.10)

OPERATING COSTS

Other operating costs	Financial year	Previous financial year
Other	1,287	1,282

INCOME AND EXPENDITURE OF AN EXCEPTIONAL MAGNITUDE OR NATURE (6.12)

	Financial year	Previous financial year
NON-RECURRING INCOME	**646,486,609**	
Non-recurring financial income	**646,486,609**	
Reversal of impairments of financial fixed assets	646,486,609	

TAXES (6.13)

TAXATION OF THE PROFIT/LOSS

Main causes of the differences between the profit before tax, as per the financial statements, and the estimated taxable profit

	Financial year
Definitive taxed income and dividend received	196,726,783
Reversal of impairments of financial fixed assets	646,486,609

VALUE ADDED TAX AND TAXES IN RESPECT OF THIRD PARTIES

	Financial year	Previous financial year
Value added tax charged		
By the company	1,296	1,260
Amounts withheld in respect of third parties in the form of		
Withholding tax	20,593,585	0

OFF-BALANCE SHEET RIGHTS AND COMMITMENTS (6.14)

COLLATERAL

Collateral pledged by the company on its own assets or irrevocably committed as security for liabilities and commitments of the company	Financial year
Pledge on other assets – Book value of pledged assets	1,023,645,494

AMOUNT, NATURE AND FORM OF MATERIAL PENDING DISPUTES

Four KBC Ancora shareholders filed a minority claim in December 2008 against the statutory manager of KBC Ancora and against Cera. The plaintiffs contested the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the splitting of the KBC Ancora shares. The plaintiffs also contested the purchase of 3.9 million KBC

Group shares by KBC Ancora which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007. The main objective of their claim was that the defendants should acquire the purchased shares at the acquisition price.
On 24 October 2012, the Court of First Instance in Leuven dismissed the claims of the plaintiffs in their entirety.
The plaintiffs lodged an appeal against this ruling on 13 March 2013. They have since slightly modified the subject of their claim to take account of the sale of 4.7 million KBC Group shares by KBC Ancora in November 2013.
The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

NATURE AND CORPORATE OBJECTIVE OF OFF-BALANCE SHEET SCHEMES
Provided the risks or benefits stemming from such a scheme are of any significance, and to the extent that publication of such risks or benefits is necessary for an assessment of the financial position of the company:
KBC Ancora is a member of a VAT group

RELATIONSHIPS WITH ASSOCIATED COMPANIES AND COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP (6.15)

	Financial year	Previous financial year
COMPANIES WITH WHICH THERE IS A PARTICIPATORY RELATIONSHIP		
Financial fixed assets	**3,088,252,579**	**2,441,765,970**
Participating interests	3,088,252,579	2,441,765,970

FINANCIAL RELATIONSHIPS WITH (6.16)

THE AUDITOR(S) AND THE PERSONS WITH WHOM HE/THEY IS/ARE ASSOCIATED

	Financial year
Remuneration of the auditor(s)	14,912
Remuneration for exceptional activities or special assignments performed by the auditor(s) within the company	
Other audit activities	5,000

VALUATION PRINCIPLES (6.19)

The valuation principles are established in accordance with the provisions of the Royal Decree of 30 January 2001 implementing the Belgian Companies Code (Code des sociétés).

The financial year runs from 1 July to 30 June inclusive.

Financial fixed assets consist of ownership rights (shares) held in other businesses with a view to creating lasting and specific ties with those businesses, so as to enable the company to influence their orientation and policy.

Financial fixed assets are stated at acquisition value, applying the weighted average prices method. Additional acquisition costs are charged directly to the results.

Financial fixed assets may be revalued in the event that their value, determined in accordance with their utility to the company, comes to exceed their book value in a clear and lasting manner.

Impairments may be applied in the event of a lasting decrease in value or depreciation, justified by the circumstances, profitability or prospects of the company in which the shares are held. If the position, profitability and outlook of the company (to be assessed by the Board of Directors) justifies this, impairments will be reversed. In the event that the Board of Directors deems the application/reversal of impairments to be appropriate, it will in principle apply the IFRS equity value per KBC Group share as a reference point.

Amounts receivable and creditors are stated at nominal value.

Impairments are applied if uncertainty exists as to the payment of all or part of an amount receivable on the due date.

Cash at bank and in hand is stated at nominal value.

Capital and reserves are stated at nominal value.

Other asset or liability components are stated at acquisition value.

OTHER INFORMATION TO BE INCLUDED IN THE NOTES (6.20)

KBC Ancora's principal asset is a participating interest in KBC Group. The value of KBC Ancora's assets, as well as its holdings of cash instruments and its results, are dependent on developments relating to the KBC group.

4 Auditor's report

4.1 Auditor's report on the financial year

FREE TRANSLATION OF UNQUALIFIED STATUTORY AUDITOR'S REPORT ORIGINALLY PREPARED IN DUTCH

"Statutory auditor's report to the general meeting of KBC Ancora SCA as of and for the year ended 30 June 2017

In the context of the statutory audit of the annual accounts of your company, we provide you with our statutory auditor's report. This includes our report on the annual accounts for the year ended 30 June 2017, as well as our report on other legal and regulatory requirements. These reports are one and indivisible.

We were appointed as statutory auditor by the general meeting of 31 October 2014, in accordance with the proposal of the board of directors issued on the recommendation of the audit committee. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 30 June 2017. We have performed the statutory audit of the annual accounts of KBC Ancora SCA for 18 consecutive financial years.

Report on the audit of the annual accounts

Unqualified opinion

We have audited the annual accounts of KBC Ancora SCA ("the Company") as of and for the year ended 30 June 2017, prepared in accordance with the financial reporting framework applicable in Belgium. These annual accounts comprise the balance sheet as at 30 June 2017, the income statement for the year then ended and notes. The balance sheet total amounts to EUR 3,098,302,861.81 and the income statement shows a profit for the year of EUR 843,207,667.29.

In our opinion, the annual accounts give a true and fair view of the Company's equity and financial position as at June 30, 2017 and of its financial performance for the year then ended in accordance with the financial reporting framework applicable in Belgium.

Basis for our unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the "Statutory auditors' responsibility for the audit of the annual accounts" section of our report. We have complied with the ethical requirements that are relevant to our audit of the annual accounts in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the investment in KBC Group

We refer to note VOL 6.19 of the annual accounts.

- *Description*

  The Company has an investment of 18.53% in KBC Group. The carrying amount of this investment amounts to EUR 3.1 billion on 30 of June 2017 or 99.68% of the total assets. In the current financial year, the Company accounted for a partial reversal of the historical impairment amounting to EUR 646.5 million.

  The valuation of the investment in KBC Group is a key matter of our audit due to:

    - the size of the balance of the investment compared to the total assets and equity value, and
    - the level of judgment required in our evaluation of the Company's assessment of the long-term nature of the impairment. These judgements include the long-term performance of KBC Group and of the sector within which KBC Group operates.

  The board of directors is of the opinion that, in case they would decide to account for an additional impairment or a reversal of an impairment, the IFRS equity value per share of KBC Group would be a good basis to determine the carrying amount of the investment.

- *Our audit procedures*

  We evaluated and discussed the Company's assessment with management, the audit committee and the board of directors.

  We evaluated the assumptions and the parameters used in the assessment.

- *Our observation*

  We believe that the Company' assessment resulted in a balanced outcome for the valuation of the investment in KBC Group.

Board of directors' responsibilities for the preparation of the annual accounts

The board of directors is responsible for the preparation of these annual accounts that give a true and fair view in accordance with the financial reporting framework applicable in Belgium, and for such internal control as the board of directors determines, is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance as to whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on the other legal and regulatory requirements

Responsibilities of the Board of directors

The board of directors is responsible for the preparation and the content of the statutory managers' report and the other information included in the annual report, of the documents required to be filed in accordance with the legal and regulatory requirements, for maintaining the Company's accounting records in compliance with the applicable legal and regulatory requirements, as well as for the Company's compliance with the Companies' Code and the Company's articles of association.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the statutory managers' report and the other information included in the annual report and compliance with certain requirements of the Companies' Code and to report on these matters.

Aspects concerning the statutory managers' report and other information included in the annual report

In our opinion, based on specific work performed on the annual report, this annual report is consistent with the annual accounts for the same financial year and has been prepared in accordance with articles 95 and 96 of the Companies' Code.
In the context of our audit of the annual accounts, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the statutory managers' report and other information included in the annual report:

- the letter from the Chairman of the Board of Directors and Managing Directors
- the investor information

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

Information about the independence

- We did not carry out assignments which are incompatible with the statutory audit of the annual accounts and remained independent of the Company during the term of our mandate.
- The amounts for the additional services which are compatible with the statutory audit of the annual accounts referred to in article 134 of the Companies' Code were correctly stated and disclosed in the notes to the financial statements.

Other aspects

- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- The appropriation of results proposed to the general meeting complies with the legal provisions and the provisions of the articles of association.
- There are no transactions undertaken or decisions taken in breach of the company's articles of association or the Companies' Code that we have to report to you.
- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.
- During the financial year, an interim dividend was distributed over which we prepared the accompanying report in accordance with the legal requirements."

Brussels, 31 August 2017

KPMG Bedrijfsrevisoren
Statutory Auditor
Represented by

Olivier Macq
Réviseur d'Entreprises

4.2 Auditor's report on the interim dividend

FREE TRANSLATION OF A REPORT ORIGINALLY PREPARED IN DUTCH

"Statutory auditor's report to the board of directors of KBC Ancora SCA on the review of the statement of assets and liabilities in the context of the proposition to distribute an interim dividend

In accordance with article 618 of the Companies' Code and with the articles of association of the company KBC Ancora SCA ("the Company"), we report to the board of directors in the context of our statutory auditor's mandate the report on the statement of assets and liabilities as of 4 May 2017.

We have reviewed the accompanying statement of assets and liabilities as at 4 May 2017 of the Company prepared in accordance with the financial reporting framework applicable in Belgium.

Board of directors' responsibility for the preparation of the statement of assets and liabilities

The board of directors is responsible for the preparation this statement of assets and liabilities as at 4 May 2017 in accordance with the financial reporting framework applicable in Belgium and the requirements of article 92, §1, first paragraph, of the Companies' Code and the compliance with the requirements of article 618, second paragraph, of the Companies' Code.

Statutory auditor's responsibility

Our responsibility is to express a conclusion on the accompanying statement of assets and liabilities based on our review.

We conducted a review, in accordance with the ISRE 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Such a review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion on the statement of assets and liabilities.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying statement of assets and liabilities as at 4 May 2017 with a balance sheet total amounting to EUR 2,635,124,050.91 and an income statement showing a profit for the period of EUR 199,768,179.08 is not prepared, in all material respects, in accordance with the financial reporting framework applicable in Belgium.

Emphasis of matter paragraph

Without modifying the above-stated conclusion, we draw your attention to the note on financial fixed assets included in the statement of assets and liabilities, which describes that, in accordance with article 49 of the Royal Decree of 30 January 2001 to implement the Company law, the board of directors will reassess the impairment recorded in the past at the end of the accounting year in the light of the evolution of the results and other developments at the level of KBC Group and that a possible reversal will have no impact on the dividend that will be distributed by the Company over the current accounting year."

Brussels, 19 May 2017

KPMG Bedrijfsrevisoren
Statutory Auditor
represented by

Olivier Macq
Réviseur d'Entreprises

Appendix

Statement of assets and liabilities as at 4 May 2017

	EUR
ASSETS	**2,635,124,051**
FIXED ASSETS	**2,441,765,970**
Financial assets	2,441,765,970
Companies with which there is a participatory relationship	2,441,765,970
Participating interests (*)	2,441,765,970
CURRENT ASSETS	**193,358,081**
Receivables due within one year	139,562,456
Trade receivables	32,972
Other receivables	139,529,484
Cash at bank and in hand	53,790,338
Prepayments and accrued income	5,288
LIABILITIES	**2,635,124,051**
EQUITY	**2,244,974,149**
Capital	2,021,871,293
Issued capital	2,021,871,293
Reserves	43,495,563
Legal reserve	7,540,563
Unavailable reserves	35,955,000
Loss carried forward	-20,160,886
Result for period	199,768,179
CREDITORS	**390,149,902**
Amounts falling due after more than one year	375,000,000
Financial liabilities	375,000,000
Credit institutions	375,000,000
Amounts falling due within one year	270,729
Financial liabilities	-
Credit institutions	-
Trade creditors	270,729
Suppliers	270,729
Liabilities in respect of taxes, remuneration and social security costs	218
Taxes	218
Other creditors	71
Accruals and deferred income	14,879,143

* In accordance with article 49 of the Royal Decree of 30 January 2001 to implement the Company law, the board of directors will reassess the impairment recorded in the past at the end of the accounting year in the light of the evolution of the results and other developments at the level of KBC Group. In case it is decided to partially reverse the impairment, the board of directors will apply the same criteria as used at the moment of impairment, being the equity value per KBC Group-share. A possible reversal will have no impact on the dividend that will be distributed by the Company over the current accounting year, as already communicated at the moment of the impairment (press release 4 May 2009).

For completeness, we add that a reversal of the impairment based on the most recent equity value per KBC Group share of EUR 39.4 (equity value at 31 March 2017 as published by KBC Group on 11 May 2017) would result in a reversal of about EUR 610 million, increasing both the result of the accounting year and the equity with that same amount.

Note that the equity value per KBC Group share at 30 June 2017 will be available on the moment the board of directors will reassess the impairments.

VALUATION PRINCIPLES

The valuation principles applied to prepare this interim statement of assets and liabilities are in accordance with the Royal Decree of 30 January 2001 to implement the Company law and with the valuation principles applied to prepare the statutory accounts of KBC Ancora SCA per 30 June 2016.

OFF-BALANCE SHEET RIGHTS AND COMMITMENTS

Collateral was provided in the form of a pledge on KBC Group shares. In total, KBC Ancora pledged 25.7 million KBC Group shares. The pledge relates to long-term liabilities totaling EUR 375 million.

Four KBC Ancora shareholders filed a minority claim in December 2008 against the statutory manager of KBC Ancora and against Cera. The plaintiffs contested the purchase of 2.3 million KBC Group shares by KBC Ancora in March 2007, which was effected in the context of the split-ting of the KBC Ancora shares. The plaintiffs also contested the purchase of 3.9 million KBC Group shares by KBC Ancora which was effected in mid-2007 in order to ensure that, together with Cera, its shareholding in KBC Group would exceed the 30% threshold as set out in the Law of 1 April 2007 on public takeover bids, which came into force in Belgium on 1 September 2007. The main objective of their claim was that the defendants should acquire the purchased shares at the acquisition price.

On 24 October 2012, the Court of First Instance in Leuven dismissed the claims of the plaintiffs in their entirety.

The plaintiffs lodged an appeal against this ruling on 13 March 2013. They have since slightly modified the subject of their claim to take account of the sale of 4.7 million KBC Group shares by KBC Ancora in November 2013.

The statutory manager is convinced that the transactions in question were decided upon and executed correctly, and accordingly looks forward to the outcome of the proceedings with every confidence.

5 Colophon

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KBC Ancora's annual report is available at no cost in Dutch, French and English from the company's registered office or its website www.kbcancora.be. Conformity between the translations and the original annual report has been checked by KBC Ancora, which assumes responsibility in this regard. In the event of discrepancies or differences of interpretation, the Dutch version alone shall be legally binding.

PRESS RELEASES IN THE FINANCIAL YEAR 2016/2017

25 July 2016	Transparency notification from Cera SCRL
4 August 2016	Transparency notification from Parvus Asset Management Europe Ltd
26 August 2016	KBC Ancora closes financial year 2015/2016 with a negative result of EUR 21.0 million
27 September 2016	Convocation of the Annual General Meeting of Shareholders and publication of Annual Report
13 October 2016	Transparency notification from FMR LLC
27 January 2017	Interim Financial Report 2016/2017
19 May 2017	KBC Ancora distributes an interim dividend of EUR 2.13 per share

FINANCIAL CALENDAR 2017/2018

31 August 2017	Annual press release for the financial year 2016/2017
26 September 2017	Annual Report 2016/2017 available and convocation of the Ordinary and Extraordinary General Meeting of shareholders
27 October 2017	Ordinary and Extraordinary General Meeting of shareholders
26 January 2018	Interim financial report (1H)
31 August 2018	Annual press release for the financial year 2017/2018

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